

15 October 2021

ASX Announcement

CLEANSING NOTICE issued under section 708A(12C)(e) of the Corporations Act 2001 (Cth) (as notionally inserted by ASIC Corporations (Sale Offers: Securities Issued on Conversion of Convertible Notes) Instrument 2016/82 ("Cleansing Notice")

Pure Food Tasmania Limited (ASX: PFT) (**PFT** or the **Company**) announced on 7 October 2021 that sophisticated and professional investors (**Investors**) had agreed to subscribe for \$5,300,000 (before costs of the offer) via the issue of unsecured convertible securities (**Convertible Notes**).

The Convertible Notes have a two year term (with a possible extension to 3 years), a 7.5% pa interest rate and a conversion price based on the lower of: (i) 90% (or 80% if there is an extension of the maturity date) of VWAP prior to conversion; or \$0.50. A summary of the key terms is set out in Schedule 1 of this Cleansing Notice.

As set out in PFT's announcement on 7 October 2021, the Convertible Notes are to be issued in 2 tranches:

1. Tranche 1 – Tranche 1, comprising 3,800,000 Convertible Notes (**Tranche 1 Convertible Notes**) to raise A\$3.8 million (before costs of the offer) is now complete with the Tranche 1 Convertible Notes having been issued today (15 October 2021).
2. Tranche 2 – comprising 1,500,000 Convertible Notes (**Tranche 2 Convertible Notes**) to raise a further A\$1.5 million (before costs of the offer) is yet to be issued and is conditional on shareholder approval being obtained for the purposes of ASX Listing Rules 7.1 and 10.11 at a general meeting, currently expected to occur on or about 26 November 2021. The settlement of Tranche 2 is currently expected on or around 30 November 2021, subject to shareholder approval being obtained.

PFT hereby confirms that the Convertible Notes are being issued without disclosure to investors under Part 6D.2 of the Corporations Act and that this Cleansing Notice is being given in accordance with section 708A(12C)(e) of the Corporations Act.

This Cleansing Notice is important and should be read in its entirety. Neither ASIC nor the ASX take responsibility for the contents of this Cleansing Notice.

Background to ASIC Relief Class Order

As the Investors are professional or sophisticated investors for the purposes of section 708 of the Corporations Act, the Convertible Notes were issued without disclosure under Part 6D.2 of the Corporations Act.

Section 708A(12C)(e) of the Corporations Act (as notionally inserted by ASIC Instrument 2016/82) broadly allows for the on-sale of securities issued on conversion of convertible notes where, in part, the

relevant entity issues a cleansing notice that complies with section 708A(12D) on the same day as, or within 2 business days before, the day on which the convertible notes were first issued.

The issue of this Cleansing Notice therefore enables the fully paid ordinary shares (**Shares**) to be issued by the Company on the conversion of the Convertible Notes, to be on-sold to retail investors without further disclosure.

Cleansing Notice

This Cleansing Notice sets out the following:

- (1) in relation to the issue of the Convertible Notes:
 - (a) the effect of the offer on the Company;
 - (b) a summary of the rights and liabilities attaching to the Convertible Notes;
 - (c) a summary of the rights and liabilities attaching to the Shares that will be issued on conversion of the Convertible Notes;

to the extent to which it is reasonable for investors and their professional advisers to expect to find the information in this Cleansing Notice; and

- (2) any information that:
 - (a) has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules;
 - (b) is information that investors and their professional advisors would reasonably require for the purpose of making an informed assessment of:
 - (i) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
 - (ii) the rights and liabilities attaching to the Shares; and
- (3) other information relating to the Company's status as a disclosing entity and where certain documents may be obtained.

The effect of the offer on the Company

The principal effects of the offer of the Convertible Notes on the Company are to:

- (1) increase the Company's cash reserves by \$5.3 million (before costs of the offer) if both the Tranche 1 and Tranche 2 Convertible Notes are issued, comprising:
 - a. \$3.8 million (before costs of the offer) through the issue of Tranche 1 Convertible Notes; and
 - b. \$1.5 million (before costs of the offer) through the issue of Tranche 2 Convertible Notes.

If shareholder approval is not obtained in relation to the Tranche 2 Convertible Notes then they will not be issued, in which case the Company's cash reserves will be increased by \$3.8 million (before costs of the offer) through the issue of the Tranche 1 Convertible Notes;

- (2) increase the Company's indebtedness by the amount of the face value of the Convertible Notes (\$5.3m on the basis all Convertible Notes are issued, or \$3.8 million if only the Tranche 1 Convertible Notes are issued) plus all accrued and unpaid interest;

- (3) increase the number of Convertible Notes on issue from zero to 5,300,000 if all of the Convertible Notes are issued (or 3,800,000 if only the Tranche 1 Convertible Notes are issued);
- (4) if the Convertible Notes are converted, either in whole or in part, increase the number of Shares on issue as a consequence of the issue of the Shares on conversion of the Convertible Notes and the liability position of the Company decreasing accordingly.

Amounts raised from the issue of the Convertible Notes will be used to fund the Company's growth strategy which has seen the acquisition of three complementary businesses, the extension of the distribution network to over 2,000 stockists and a 72% increase in sales revenue to \$7.3 million over the 12 months to June 2021 and to pay costs of the offer. Costs of the offer are estimated to be \$350,000 (if 5,300,000 Convertible Notes are issued), comprising joint lead manager fees of 6% of gross amount raised and legal fees.

Rights and liabilities attaching to the Convertible Notes

A summary of the key rights and liabilities attaching to the Convertible Notes was set out in the Company's announcement of 7 October 2021 and is reproduced in Schedule 1 of this Cleansing Notice.

Rights and liabilities attaching to Shares issued on conversion of the Convertible Notes

The Shares to be issued on the conversion of the Convertible Notes will rank equally in all respects with all of the Company's existing Shares. The rights attaching to Shares, including the new Shares to be issued on the conversion of the Convertible Notes, are set out in the Company's constitution (**Constitution**) and, in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules and the general common law.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which can be inspected, free of charge, at the Company's registered office during normal business hours. A broad summary of the rights and restrictions attaching to all Shares is set out below. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of shareholders. These rights and liabilities can involve complex questions of law arising from an interaction of the Constitution with statutory and common law requirements. For a Shareholder to obtain a definitive assessment of the rights and liabilities which attach to Shares in any specific circumstances, the Shareholder should seek legal advice.

- (a) **(Voting rights):** Subject to any rights or restrictions, at general meetings:
 - (i) every Shareholder present and entitled to vote may vote in person or by attorney, proxy or representative;
 - (ii) has one vote on a show of hands; and
 - (iii) has one vote for every Share held, upon a poll.
- (b) **(Dividend rights):** Shareholders will be entitled to dividends, distributed among members in proportion to the capital paid up. No dividend carries interest against the Company and the declaration of Directors as to the amount to be distributed is conclusive.

Shareholders may be paid interim dividends or bonuses at the discretion of the Directors. The Company must not pay a dividend unless the Company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend.

- (c) **(Variation of rights):** The rights attaching to the Shares may only be varied by the consent in writing of the holders of three-quarters of the Shares, or with the sanction of a special resolution passed at a general meeting.
- (d) **(Transfer of Shares):** Shares can be transferred upon delivery of a proper instrument of transfer to the Company or by a transfer in accordance with the ASX Settlement Operating Rules. The instrument of transfer must be in writing, in the approved form, and signed by the transferor and the transferee. Until the transferee has been registered, the transferor is deemed to remain the holder, even after signing the instrument of transfer.

In some circumstances, the Directors may refuse to register a transfer if upon registration the transferee will hold less than a marketable parcel. The Board may refuse to register a transfer of Shares upon which the Company has a lien.

- (e) **(General meetings):** Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

The Directors may convene a general meeting at their discretion. General meetings shall also be convened on requisition as provided for by the Corporations Act.

- (f) **(Unmarketable parcels):** The Company's Constitution provides for the sale of unmarketable parcels subject to any applicable laws and provided a notice is given to the minority Shareholders stating that the Company intends to sell their relevant Shares unless an exemption notice is received by a specified date.
- (g) **(Rights on winding up):** If the Company is wound up, the liquidator may with the sanction of special resolution, divide the assets of the Company amongst members as the liquidator sees fit. If the assets are insufficient to repay the whole of the paid-up capital of members, they will be distributed in such a way that the losses borne by members are in proportion to the capital paid up.

Pro forma balance sheet of the Company taking into account issue of the Securities

Set out below is a pro forma consolidated Statement of Financial Position as at 30 June 2021 for the Company based on the consolidated Statement of Financial Position as at 30 June 2021 for the Company adjusted to reflect the issue of Convertible Notes issued by the Company (exclusive of costs), prepared on the basis of the accounting policies normally adopted by the Company. The pro forma financial information is presented in an abbreviated form in so far as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

The pro forma financial information is not audited. The classification of the allocations between debt and equity for the Convertible Notes may change in the future.



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	Actual 30 June 2021 \$	Convertible Notes Issued	Pro Forma 30 June 2021 \$
Current Assets			
Cash and cash equivalents	1,624,116	5,300,000	6,924,116
Trade and other receivables	1,098,324	-	1,098,324
Inventory	1,001,235	-	1,001,235
Other assets	339,833	-	339,833
Total Current Assets	4,063,508	5,300,000	9,363,508
Non-Current Assets			
Property, plant and equipment	4,530,534	-	4,530,534
Right of use assets	696,951	-	696,951
Intangible assets	2,447,102	-	2,447,102
Deferred tax assets	1,239,971	-	1,239,971
Total Non-Current Assets	8,914,558	-	8,914,558
Total Assets	12,978,066	5,300,000	18,278,066
Current Liabilities			
Trade and other payables	1,769,479	-	1,769,479
Lease liabilities	196,139	-	196,139
Provisions	159,692	-	159,692
Borrowings	724,920	-	724,920
Total Current Liabilities	2,850,230	-	2,850,230
Non-Current Liabilities			
Lease liabilities	529,716	-	529,716
Provisions	29,192	-	29,192
Borrowings	872,303	-	872,303
Deferred tax liabilities	842,412	-	842,412
Convertible Notes	-	5,300,000	5,300,000
Total Non-Current Liabilities	2,273,623	5,300,000	7,573,623
Total Liabilities	5,123,853	-	10,423,853
Net Assets	7,854,213	-	7,854,213

Equity

Contributed equity	9,402,889	9,402,889
Accumulated profits/(losses)	(1,548,676)	(1,548,676)
Total Equity	7,854,213	7,854,213

Potential effect on Share Structure

As at the date of this Cleansing Notice, the issued capital of the Company and the options and convertible securities held in respect of the Company, including the Convertible Notes, is as follows:

Type of security	Securities on issue as at the date of this cleansing statement
Fully paid ordinary shares	56,824,339
Unlisted Options	1,782,260 ¹
Unlisted Options	3,284,871 ²
Unlisted Options	2,800,000 ³
Convertible Notes	3,800,000 ⁴

- 1 These options have an exercise price of \$0.30 each and expire on 8 November 2021.
- 2 These options have an exercise price of \$0.30 each and expire on 8 November 2021 and are to be held in escrow until 30 April 2022 being 24 months from the date of re-instatement of the Company's shares.
- 3 These options have an exercise price of \$0.40 between the relevant vesting date and expiring 3 years from the date of re-instatement of the Company's shares and are to be held in escrow until 30 April 2022, being 24 months from the date of re-instatement of the Company's shares.
- 4 These are the Tranche 1 Convertible Notes will be issued on the date of this Cleansing Notice and does not include the 1,500,000 Tranche 2 Convertible Notes the Company intends to issue on or about 30 November 2021 subject to shareholder approval being obtained.

As set out in the table above the Company issued the 3,800,000 Tranche 1 Convertible Notes on 15 October 2021 (the date of this Cleansing Notice). The Company intends to issue the 1,500,000 Tranche 2 Convertible Notes on or about 30 November 2021 (subject to shareholder approval being obtained). The capital structure of the Company will be affected by any conversion of the Convertible Notes, which will result in additional Shares being issued and the liability position of the Company decreasing accordingly.

The Convertible Notes are convertible into Shares based on the conversion formula set out in Schedule 1. The number of Shares issued on conversion will therefore depend on the applicable 10 trading day volume weighted average prices (**10 Trading Day VWAP**) for Shares as at the date of conversion as follows: a conversion price based on the lower of: (i) 90% (or 80% if there is an extension of the maturity date) of the 10 Trading Day VWAP prior to conversion; or (ii) \$0.50. Assuming that all Convertible Notes were converted at \$0.50 then the number of Shares issued on conversion would be 10,600,000 (exclusive of any Shares that could be issued on conversion of any accrued but unpaid interest).

The actual effect on the Share capital of the Company will differ depending on how many Convertible Notes are converted and the 10 Trading Day VWAP prior to conversion. As at the date of this Cleansing Notice, no Convertible Notes have been converted.

Dilution

There is a risk that dilution to shareholders will result on conversion of the Convertible Notes. Examples of the potential dilutive effect of conversion of the Convertible Notes are set out in the table below, based 5,300,000 Convertible Notes being issued and 100% of the Convertible Notes being converted and conversion occurring at the theoretical Conversion Price that would apply if:

- conversion occurred on the date of the announcement, being \$0.50 (**Current Conversion Price**);
 - the price of shares in PFT falls by 50%, being \$0.25425 (**50% Fall in Share Price**); and
 - the price of shares in PFT increases by 50%, being \$0.50 (**50% Increase in Share Price**),
- assuming no other shares are issued (including shares that may be issued in lieu of payment of interest and the Maturity Date is not extended).

Conversion Price	50% Fall in Share Price	Current Conversion Price	50% Increase in Share Price
Number of shares to be issued	20,845,624	10,600,000	10,600,000
Total shares post conversion*	77,669,963	67,424,339	67,424,339
Dilution (%)*	26.86%	15.72%	15.72%

* Based on 56,824,339 shares currently on issue.

Participation by directors

Entities associated with Michael Cooper, Ken Fleming and Sandy Beard, who are directors of PFT, have agreed to subscribe for 75,000, 50,000 and 75,000 Tranche 2 Convertible Notes respectively, subject to shareholder approval being obtained.

Compliance with disclosure obligations

The Company is a “disclosing entity” under the Corporations Act and, accordingly, is subject to regular reporting and disclosure obligations under both the Corporations Act and the ASX Listing Rules.

These obligations require the Company to notify ASX of information about specific events and matters as they arise. In particular, the Company is obliged to disclose to the market immediately any information which a reasonable person would expect to have a material effect on the price or value of the Shares unless certain limited exceptions apply.

The Company is also required to prepare and lodge with ASIC yearly and half-yearly financial statements accompanied by a Directors’ statement and report, and an audit report or review. The Company is also required to prepare and lodge a quarterly report.

Copies of documents lodged with ASIC in relation to the Company may be obtained from ASIC. The Company will provide a copy of each of the following documents, free of charge, to any person on request:

- (1) the annual financial report most recently lodged by the Company with ASIC, being the financial report of the Company for the year ended 30 June 2021 (**2021 Financial Report**);
- (2) any half-year financial report lodged by the Company with ASIC after the lodgement of the 2021 Financial Report and before the lodgement of this Cleansing Notice with ASX; and
- (3) any continuous disclosure documents given by the Company to ASX after the lodgement of the 2021 Financial Report and before the lodgement of this Cleansing Notice with ASX.

A list of the continuous disclosure documents given by the Company to ASX after the lodgement of the 2021 Financial Report and before the lodgement of this Cleansing Notice is set out in the table below.

Date	Announcement
15 October 2021	Application for quotation of securities – PFT
7 October 2021	Proposed issue of securities – PFT
7 October 2021	PFT successfully completes A\$5.3m Conv Note offering
5 October 2021	Trading Halt
24 September 2021	Release of securities from escrow
24 September 2021	Application for quotation of securities – PFT

Update on trading as at 30 September 2021

The Company experienced a strong start to the financial year and expects to report for the period ending 30 September 2021 total revenue for 1Q FY22 being \$2,785,679 compared to \$1,177,233 for 1Q FY21 (an increase of 137%). Excluding businesses acquired after 1Q FY21, total revenue for 1Q FY22 would have been \$1,905,861 compared to \$1,177,233 for 1Q FY21 (an increase of 62%)*.

* Revenue figures for FY22 are based on unaudited management accounts

Information excluded from the continuous disclosure notice

As at the date of this Cleansing Notice, other than as set out in this Cleansing Notice, the Company advises that it has fully complied with its disclosure obligations under the ASX Listing Rules and the Corporations Act, and, in particular, there is no information which the Company has excluded from any of its continuous disclosure notices given in accordance with the ASX Listing Rules and the Corporations Act as at the date of this Cleansing Notice which it would be reasonable for investors and their professional advisors to require for the purpose of making an informed assessment of:



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- (1) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
- (2) the rights and liabilities attaching to the Convertible Notes and Shares issued on conversion.

Released on authority of the Board by:

Michael Cooper
Managing Director

Further Enquiries:
0419 124 433

Forward-looking Statements This announcement may contain forward-looking statements. Forward-looking statements address future events and conditions and therefore involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated in such statements.

Schedule 1: Summary of key terms of the Convertible Notes

Issuer	Pure Foods Tasmania Limited (ACN 112 682 158)
Type and class of securities:	The Convertible Notes constitute an unsecured interest bearing debt obligations of PFT.
Quotation	The Convertible Notes will be unlisted and accordingly will not be quoted on ASX.
Maturity Date	2 years after the date on which Tranche 1 of the Convertible Notes are issued
Extended Maturity Date:	12 months after the initial Maturity Date provided Holders holding more than 75% of the Convertible Notes on issue by value, by no later than 1 month before that date agree in writing with PFT to extend the Maturity Date to the Extended Maturity Date
Face Value:	Each Convertible Note has a face value of A\$1.00
Interest Rate	Interest is payable by PFT at 7.5% per annum. PFT has the option to pay the interest in cash or issue shares at the Interest Conversion Price
Interest Conversion Price	The price per Share equal to 90% of the VWAP over the last 20 Trading Days of the Interest Period
Interest Period	Each six month period as adjusted in accordance with the Convertible Note Deed Poll
Conversion:	A Noteholder may elect to Convert all or an amount equal to or greater than \$25,000 of the Convertible Notes at any time
Conversion Price	the lower of the price per Share equal to: <ul style="list-style-type: none"> (a) 90% of the 10 Trading Day VWAP immediately prior to the Conversion Date (in Australian dollars, to three decimal places); (b) if the Maturity Date is the Extended Maturity Date, 80% of the 10 Trading Day VWAP immediately prior to the Conversion Date (in Australian dollars, to three decimal places); or (c) \$0.50 per Share.
Conversion by PFT	If at any time prior to the Maturity Date, a Material Transaction occurs, PFT may elect to Convert all the Convertible Notes then outstanding into such number of Shares as is determined by dividing the Outstanding Total Amount by the Conversion Price
Material Transaction	<ul style="list-style-type: none"> (d) a change of control event; (e) PFT enters into an agreement (including a conditional agreement) for an acquisition where the consideration payable by PFT is more than \$10 million; or

	(f) PFT raises more than \$10 million (in aggregate) through the issue of shares during the period between the Issue Date and Maturity Date.
Redemption	At any time, PFT may redeem all the Convertible Notes that have not been Converted by paying the Redemption Amount and any accrued but unpaid Interest to the Holder (with Interest able to be paid in cash or Shares).
Redemption Amount	<p>(a) unless the Maturity Date is the Extended Maturity Date, 110% of the Outstanding Total Amount; and</p> <p>(b) where the Maturity Date is the Extended Maturity Date, 120% of the Outstanding Total Amount.</p>
Repayment	<p>Unless the Convertible Notes have been fully Converted or redeemed by PFT then on the Termination Date PFT must pay to the Holder:</p> <p>(a) unless the Maturity Date is the Extended Maturity Date, the Outstanding Total Amount and any accrued Interest; or</p> <p>(b) where the Maturity Date is the Extended Maturity Date, 120% of the Outstanding Total Amount and any accrued Interest.</p>
Outstanding Total Amount	The total of the Face Value of all of the Convertible Notes less all Conversion Amounts which have been converted.
Termination Date	<p>(c) the Maturity Date; and</p> <p>(d) the date that is 20 Business Days following receipt by PFT of a notice from the Holder of an Event of Default.</p>
Transfer:	Each Convertible Note cannot be sold, assigned or transferred (other than upon death of a Holder, where the Holder is a natural person).
Bonus Issues and Reconstructions	The Convertible Notes are adjusted if there is a Bonus Issue; consolidation or subdivision of PFT shares; if PFT pays or makes a Capital Distribution.
Events of Default	<p>(a) The Company fails to make payments due under the Convertible Notes within 20 Business Days of the due date.</p> <p>(b) The Company makes default in duly performing or observing any other undertakings, covenants or agreements under the Convertible Notes and such default, if capable of remedy, is not remedied for a period of 10 Business Days.</p> <p>(c) The Company suffers an Insolvency Event.</p>