

16 October 2024

Company Announcements Office
Australia Securities Exchange

CLEANSING NOTICE

Issued under section 708A(12C)(e) of the *Corporations Act 2001* (Cth) (as inserted by ASIC Corporations (Sale Offers: Securities Issued On Conversion of Convertible Notes) Instrument 2016/82)

1. INTRODUCTION

This Cleansing Notice has been prepared by PhosCo Ltd (ACN 139 255 771) (**Company**) for the purposes of section 708A(12C)(e) of the *Corporations Act 2001* (Cth) (**Corporations Act**) (as inserted by ASIC Corporations (Sale Offers: Securities Issued On Conversion of Convertible Notes) Instrument 2016/82). Issuing this Cleansing Notice enables the fully paid ordinary shares in the capital of the Company (**Conversion Shares**), issued on the conversion of the converting notes issued by the Company on the terms described below, to be on-sold to retail investors without further disclosure.

This Cleansing Notice is important and should be read in its entirety.

2. BACKGROUND AND CONTENTS OF CLEANSING NOTICE

2.1 Issue of Converting Notes

On 14 October 2024, the Company obtained shareholder approval to issue 900,000 converting notes each with a face value of \$1.00 to sophisticated investors, professional investors, and Mr Robin Widdup and Mr Taz Aldaoud (being Directors of the Company) (or nominee) for a total subscription price of \$900,000 (**Converting Notes**). These Converting Notes were issued on the date of this Cleansing Notice.

The terms of the Converting Notes are set out in binding terms sheets (**Binding Terms Sheet**) executed by the Company and the subscribing noteholder (**Noteholder**). A summary of the material terms and conditions of the Converting Notes are as follows:

- (a) (**Principal Amount**): A total of \$900,000.
- (b) (**Face value**): \$1.00.
- (c) (**Shareholder Approval**): The issue of the Converting Notes was conditional on and subject to the Company obtaining shareholder approval. This shareholder approval was obtained on 14 October 2024.
- (d) (**Maturity**): The Converting Notes are to be converted on or before 15 March 2025.
- (e) (**Interest**): Interest on the Principal Amount will accrue from the issue date until the Converting Notes are either redeemed or converted into Shares at a rate of 10% per annum, accruing on daily balances on the basis of a year of 365 days.

If the Converting Notes are converted to Conversion Shares on the occurrence of a Capital Raising Event or on the Maturity Date, all accrued but unpaid interest will be capitalised and converted into Shares (at the same Conversion Price used to calculate the number of Conversion Shares at the relevant time) and issued on the same date as the Conversion Shares.

If the Converting Notes are redeemed by the Company as a result of an Event of Default occurring, all accrued but unpaid interest must be paid to the Noteholder in cash within two business days of the redemption date.

- (f) **(Conversion Shares):** The Company will convert the Converting Notes into Shares at the relevant Conversion Price upon:
 - (i) the occurrence of a Capital Raising Event; or
 - (ii) the Maturity Date,unless the Converting Notes are redeemed.
- (g) **(Conversion Price):** If the Converting Notes convert on the occurrence of a Capital Raising Event, each Converting Note will be convertible into Shares at a conversion price equal to a 20% discount to the capital raising issue price of the relevant Capital Raising Event, subject to a ceiling price of \$0.05 and a floor price of \$0.01.

If the Converting Notes convert on the Maturity Date and a Capital Raising Event has not occurred, each Converting Note will be convertible into Shares at a conversion price of an amount equal to a 20% discount to the lowest 5-day VWAP during the period of 17 January 2024 to the Maturity Date, subject to a ceiling price of \$0.05 and a floor price of \$0.01.
- (h) **(Conversion Options):** Upon conversion, the Company will issue the Noteholder one Conversion Option for every one Conversion Share issued on conversion of the Converting Note. Each Conversion Option is exercisable at \$0.05 and expiring two years from the Conversion Date, and otherwise on the terms and conditions set out in Section 6 of this Cleansing Notice.
- (i) **(Capital Raising Event):** A Capital Raising Event means a capital raising undertaken by the Company subsequent to 17 January 2024 to raise a minimum of \$1,000,000 by a placement of Shares (which does not include the issue of converting notes on 15 March 2024 and the issue of the Converting Notes on the date of this Cleansing Notice).
- (j) **(Redemption):** The Company must redeem the Converting Notes for their Face Value (plus any accrued interest outstanding) within 10 business days of the date an Event of Default occurs (or where the Event of Default is to be remedied within a prescribed period, within 10 business days of the date that prescribed period ends if the Company has failed to remedy the relevant Event of Default), unless otherwise agreed by the Noteholder.
- (k) **(Event of Default):** The Converting Notes are subject to standard events of default including unremedied failure to comply with the terms of the Binding Terms Sheet, insolvency, appointment of an administrator, winding up or suspension of its debts generally.

- (l) **(Voting and other rights):** The Converting Notes do not confer on the Noteholder the right to attend and vote at shareholder meetings or receive dividends. The Converting Notes do not impinge upon the Company's rights to seek alternative funding in the future.
- (m) **(Unsecured):** The Converting Notes are unsecured.
- (n) **(Non-quoted):** The Converting Notes will not be quoted on ASX.

2.2 The rationale for the converting note raising

The Company's Directors consider that the raising of capital by the issue of the Converting Notes is in the best interests of the Company as the proceeds from the capital raising will be used to fund the high-impact exploration work program for the Sekarna Phosphate Project and for general working capital.

This Cleansing Notice sets out the following:

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

3. THE EFFECT OF THE ISSUE ON THE CAPITAL STRUCTURE OF THE COMPANY

3.1 Effect of the issue on the Company

The principal effects of the issue of the Converting Notes on the Company will be to:

- (a) increase the Company's cash reserves by \$900,000 (before any expenses associated with the issue of the Converting Notes); and
- (b) give rise to the Company having liability for the amount of the face value of the Converting Notes, being \$900,000.

If the Converting Notes are converted, the principal effect of the conversion on the Company will be to:

- (a) increase the number of Shares on issue in the Company by up to 93,747,945 Shares on conversion of the Converting Notes;

- (b) increase the number of Options on issue in the Company by up to 93,747,945 Options on conversion of the Converting Notes; and
- (c) decrease the Company's liabilities for the amount of the face value of the Converting Notes, being \$900,000 and any accrued interest.

3.2 Pro forma balance sheet of the Company taking into account issue of the Converting Notes

- (a) Set out below is a pro forma consolidated Statement of Financial Position as at 30 June 2024 for the Company based on the consolidated Statement of Financial Position as at 30 June 2024 for the Company.
- (b) 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 Converting Notes may change in the future.

Proforma Consolidated Statement of Financial Position of PhosCo Ltd

Assets	30-Jun-24	Converting Note Raising	Cost of Capital Raising	Proforma Financials
Current assets				
Cash and cash equivalents	548,154	900,000	(25,000)	1,423,154
Trade and other receivables	28,736	-	-	28,736
Other assets and deposits	146,691	-	-	146,691
Total current assets	723,581	900,000	(25,000)	1,598,581
Non-current assets				
Plant and equipment	61,087	-	-	61,087
Total non-current assets	61,087	-	-	61,087
Total assets	784,668	900,000	(25,000)	1,659,668
Liabilities				
Current liabilities				
Bank overdraft	361	-	-	361
Trade and other payables	1,644,699	-	-	1,644,699
Employee benefits payable	206,432	-	-	206,432
Borrowings	6,325,965	-	-	6,325,965
Convertible notes	1,277,170	900,000	(55,000)	2,122,170
Total current liabilities	9,454,627	900,000	(55,000)	10,299,627
Total liabilities	9,454,627	900,000	(55,000)	10,299,627
Net liabilities	(8,669,959)	-	30,000	(8,639,959)
Equity				
Issued capital	60,331,717	-	30,000	60,361,717
Reserves	(178,688)	-	-	(178,688)
Accumulated losses	(62,522,603)	-	-	(62,522,603)
Deficiency in equity attributable to the owners of PhosCo Ltd	(2,369,574)	-	30,000	(2,339,574)
Non-controlling interests	(6,300,385)	-	-	(6,300,385)
Total deficiency in equity	(8,669,959)	-	30,000	(8,639,959)

NOTES

- 1 The pro forma presentation of the raising from the Converting Notes and associated costs is based on the value of the proceeds less the estimated costs for the issue of the Converting Notes. The Company will be undertaking an independent valuation of the Converting Notes in accordance with Australian Accounting Standards, the results of which may possibly be materially different to the amounts presented herein. The pro forma adjustments do not include the Options to be issued on conversion of the Converting Notes. A maximum of 93,747,945 Options may be issued on conversion of the Converting Notes.
- 2 The proceeds from the Converting Note Raising, consisting of 900,000 Converting Notes issued at \$1.00 per Converting Note.
- 3 The costs associated with the capital raise, consisting of:
 - Non-Cash: \$30,000**, being 1,000,000 shares issued to Cumulus Wealth Pty Ltd for acting as advisor to the Converting Note raising at a deemed issue price of \$0.03 per Share
 - Cash: \$25,000** for estimated compliance related fees and costs

3.3 Potential effect on Share Structure

- (a) As at the date of this Cleansing Notice and prior to the issue of the 900,000 Converting Notes as set out in the Cleansing Notice, the issued capital of the Company comprises 279,748,177 ordinary shares, 9,633,335 performance rights and 1,000,000 Converting Notes.
- (b) The capital structure of the Company will be affected by the conversion of the Converting Notes, which will result in up to an additional maximum of 93,747,945 Shares and 93,747,945 Options being issued and the liability position of the Company decreasing accordingly. The actual effect on the share capital of the Company will depend on the Conversion Price (as set out at Section 2.1(g) of this Cleansing Notice).
- (c) The Converting Notes can be converted on:
 - (i) the occurrence of a Capital Raising Event; or
 - (ii) the Maturity Date,unless the Converting Notes are redeemed where an Event of Default has occurred.

4. RIGHTS AND LIABILITIES ATTACHING TO THE CONVERTING NOTES

A summary of the key terms of the Converting Notes is set out in Section 2.1 of this Cleansing Notice above.

5. RIGHTS AND LIABILITIES ATTACHING TO SHARES ISSUED ON CONVERSION OF CONVERTING NOTES

The Shares to be issued to Noteholders on the conversion of the Converting Notes will rank equally in all respects with all of the Company's existing Shares. The rights attaching to the Company's Shares 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 law. A copy of the Constitution can be inspected, free of charge, at the Company's registered office during normal business hours, and is available via the Company's website.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution.

The following is a general description of the more significant rights and liabilities attaching to

the Shares and is not an exhaustive summary.

(a) **Variation of rights**

The rights attached to any class of shares may, unless their terms of issue state otherwise, be varied:

- (i) with the written consent of the holders of 75% of the Shares issued in that class; or
- (ii) with the approval of a special resolution passed at a meeting of the holders of Shares of the class.

(b) **Voting rights**

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held, or in respect of which the person is appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) **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.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution.

(d) **Dividends**

The Directors may from time to time declare a dividend to be paid to Shareholders entitled to the dividend. The dividend shall (subject to the Company's Constitution and to the rights of any preference shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividends) be payable on all shares in accordance with the Corporations Act. The Directors may from time to time pay to the Shareholders such interim dividends as they may determine. Dividends shall be payable out of profits, out of any particular fund or reserve. A determination by the Directors as to the profits of the Company shall be conclusive. Dividends shall not carry interest as against the Company.

(e) **Winding-up**

In a winding up, any assets available for distribution to Shareholders will, subject to the rights of the Shareholders issued on special terms and conditions, the Company's Constitution and the Corporations Act, be distributed amongst the Shareholders to

return capital paid up on their Shares and distribute any surplus in proportion to the amount paid up (not credited) on Shares held by them.

(f) **Change to Capital Structure**

The Company may:

- (i) convert all or any of its Shares into a larger or smaller number of Shares. Any amount unpaid on the Shares being converted is divided equally among the replacement Shares; and
- (ii) cancel Shares which have been forfeited.

Subject to the Corporations Act, the Company may reduce its capital in any manner including by way of distributing specific assets, including securities of the Company or of any other corporation, trust or entity.

(g) **Transfer of Shares**

- (i) Generally, Shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the Listing Rules.
- (ii) The Company's Shares are quoted on ASX.

6. RIGHTS AND LIABILITIES ATTACHING TO OPTIONS ISSUED ON CONVERSION OF CONVERTING NOTES

(a) **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Price**

Subject to paragraph (i), the amount payable upon exercise of each Option will be \$0.05 (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00pm (AEDT) on or before the date that is two years from the date of issue (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) Timing of issue of Shares on exercise

Within five Business Days after the Exercise Date, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under paragraph (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) Shares issued on exercise

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(i) Reconstruction of capital

If at any time the issued capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(j) Participation in new issues

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(k) Change in exercise price

Subject to these terms, an Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(l) Transferability

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

7. THE COMPANY IS A “DISCLOSING ENTITY”

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 has an obligation under ASX Listing Rule 3.1 and section 674 of the Corporations Act (subject to certain limited exceptions) to notify the ASX immediately once it is or becomes aware of information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Shares.

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. Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office.

8. COPIES OF DOCUMENTS

The Company will provide a copy of each of the following documents, free of charge, to any person on request:

- (a) 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 2024 (**2024 Financial Report**);
- (b) any continuous disclosure documents given by the Company to ASX after the lodgement of the 2024 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 2024 Financial Report and before the lodgement of this Cleansing Notice with ASX is set out in the table below.

Date	Announcement
26/09/2024	Appendix 4G and Corporate Governance Statement
03/10/2024	Key Approval for Sekarna Phosphate Project
14/10/2024	Results of General Meeting

9. INFORMATION EXCLUDED FROM THE CONTINUOUS DISCLOSURE NOTICES

The Company advises that:

- (a) there are no new disclosures required; and
- (b) it has fully complied with its disclosure obligations under the ASX Listing Rules and the Corporations Act, and that other than the information referred to in paragraph (a) above, 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:
 - (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 Converting Notes, the Shares and the Options.

For and on behalf of the Board of Directors



Taz Aldaoud
Managing Director