

Friday 27th October 2017

Company Announcements Platform

Australian Securities Exchange

Level 4, 20 Bridge Street

SYDNEY NSW 2000

Dear Sir/Madam,

TIKFORCE LIMITED

MANDATE FOR CONVERTIBLE NOTE AND PRO-RATA NON-RENOUNCEABLE ENTITLEMENT ISSUE

TikForce Limited (ACN 106 240 475) (**Company**) announces the signing of a capital raising mandate (**Mandate**) with Alignment Capital Pty Ltd (**Alignment**).

The material terms of the Mandate are as follows:

- (a) Alignment will assist the Company in respect of a capital raising by way of convertible notes (**Convertible Note**). Following advance of the Convertible Note funds, the Company intends to undertake a pro rata non-renounceable entitlement issue (**Entitlement Issue**).
- (b) The Company currently intends to conduct the Entitlement Issue as a 1 for 6 pro rata non-renounceable entitlement issue at an issue price of \$0.03, plus free attaching unlisted options exercisable at \$0.06 on or before 31 October 2020 on the basis of 1 Option for every 2 new shares issued.
- (c) The Company will provide further details on the Entitlement Issue in due course.
- (d) The Convertible Notes will be issued to unrelated sophisticated and professional investors for a total of \$600,000, to be repaid on or before 30 June 2018 (**Repayment Date**), unless converted earlier.
- (e) Advance of the Convertible Note funds is anticipated to occur in early November 2017.
- (f) The Convertible Note will only convert into securities in the Company subject to all necessary shareholder and regulatory approvals, upon the following conversion events:
 - i) (**conversion at Noteholder's election**): the noteholders may elect to convert (subject to shareholder and regulatory approvals) up to 5 business days before the Repayment Date; and
 - ii) (**automatic conversion**) the Convertible Note will automatically convert (subject to shareholder and regulatory approvals) upon at least 50% of the Company's intended Entitlement Issue being taken up by Shareholders and/or shortfall under the Entitlement Issue being placed; or
 - iii) (**automatic conversion**) the Note will automatically convert (subject to shareholder and regulatory approvals) upon the Company achieving:

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gross revenues (excluding any rebates or tax refunds) of \$400,000 for two consecutive quarters; or

gross revenues (excluding any rebates or tax refunds) of an aggregated amount of \$800,000 for two consecutive quarters.

- (g) The Convertible Notes will convert:
- i) into shares at a conversion price based on the lesser of:
 - (A) a price of three cents (\$0.03) per share; and
 - (B) the most recent capital raising price at the time of conversion (provided that the price is equal to or greater than 80% of the 5 day VWAP before the date of issue of the converted shares); and
 - ii) unlisted options exercisable at \$0.06 on or before 31 October 2020 on the basis of 1 Option for every 1 share issued on conversion (**Convertible Note Options**)
- (h) The interest payable in respect of the Convertible Note is a flat interest fee of 20% of the amount advanced, payable on the Repayment Date, or earlier in respect of any conversion of the Convertible Note. The interest may be paid in shares and free attaching Convertible Note Options on the same conversion basis in paragraph (g) above.
- (i) Alignment will assist the Company, on a best endeavours basis, to place any shortfall under the Entitlement Issue. The Entitlement Issue will not be underwritten.
- (j) Alignment (and/or its nominees) is entitled to the following fees and expenses associated with the Mandate (subject to all necessary shareholder and regulatory approvals):
- i) 21 million unlisted options on the successful completion of the Convertible note raise at a cost of \$0.00001 per option, exercisable at \$0.06 on or before 31 October 2020 (**Convertible Note Success Options**);
 - ii) a management fee of 1% on all funds raised under the Entitlement Issue;
 - iii) a selling fee of 5% will be paid on the total value of all funds subscribed to under the Entitlement Issue;
 - iv) up to 8,510,472 unlisted options (or such lesser amount on a pro-rata basis) on the successful completion of the rights issue raise at a cost of \$0.00001 per option, exercisable at \$0.06 on or before 31 October 2020 (**Rights Issue Success Options**).
- (k) Additionally, the Mandate requires:
- i) the cash component of the CEO's salary must be reduced by 40% if the Company does not secure a new commercial contract by 15 November 2017; and
 - ii) the Company must not enter into any loans without the consent of Alignment.

The Company will provide further information on the Convertible Note and Entitlement Issue in due course.

Roland Berzins

Company Secretary