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March 22, 2018

Alleged Breach of Convertible Notes

In reference to your email of 20 March 2018 requesting information on the alleged breaches of the Convertible Notes, Tikforce Limited ("Company") (ASX: TKF) confirms it has received various correspondence from Convertible Note ("CN") holders on 16 March 2018, 19 March 2018 and 20 March 2018. The CN holders represent \$455,000 (\$546,000 inclusive of interest) of the total \$750,000 (\$900,000 inclusive of interest) of notes on issue.

A summary of the correspondence is below:

1. Letter from solicitors dated 16 March 2018 on behalf of Alignment Capital Pty Ltd (in its capacity as a noteholder pursuant to a CN Deed)

Pursuant to this letter, Alignment Capital Pty Ltd ("**Alignment**"), in its capacity as a noteholder of a CN in the amount of \$100,000 inclusive of interest:

- provided a notice of default to the Company under clause 8.1(b) of the CN Deed;
- alleged breaches of clauses 7.1(e) and 7.1(g) of the CN deed; and
- demanded immediate repayment of the principal sum and interest of the CN pursuant to clause 8.2 of the CN Deed.

By way of background:

- Clause 8.1(b) of the CN Deed states that an event of default under the CN Deed occurs if the Company fails to comply with any provision of the transaction documents which failure, if capable of remedy, is not remedied within 15 business days of the noteholder providing the company with written notice specifying the nature of the failure.
- Clause 8.2 of the CN Deed provides that if an event of default occurs under clause 8.1, the noteholder may demand immediate repayment all money owing.
- Clause 7.1(e) of the CN Deed contains an undertaking by the Company that it will ensure that the Company and its subsidiaries comply with all applicable laws (including without limitation all listing rules and requirements of any stock exchange).
- Clause 7.1(g) of the CN Deed contains an undertaking by the Company that it will comply on time with any conditions attaching to any approval or consent given by the noteholder in connection with the transaction documents.

Alignment alleges that the Company has breached clause 7.1(e) by not disclosing the termination of a contract. The contract alluded to by Alignment in the letter never existed.

Accordingly, it could not be terminated, and therefore the Company is of the view that no breach of clause 7.1(e) has occurred in this respect.

Alignment further alleges that the Company has breached clause 7.1(g) as a result of the Company failing to comply with a condition of the Capital Raising Mandate between the Company and Alignment (as announced on 27 October 2017). Alignment's view is that the circumstance under the Capital Raising Mandate constitutes a condition attaching to the consent given by the noteholder in connection with the transaction documents of the CN Deed. The transaction documents of the CN Deed do not include the Capital Raising Mandate, and the Company has not otherwise received (nor is any required under the CN Deed) any approval or consent from Alignment (as noteholder) which it has not complied with. Accordingly, the Company is of the view that no breach of clause 7.1(g) has occurred (and therefore no event of default under clause 8.1(b) has occurred).

As a result of the alleged breaches of 7.1(e) and 7.1(g), Alignment states in the letter that neither of the events of default arising as a result of each breach can be remedied. On this basis, Alignment has declared under clause 8.2 that all money owing under the CN Deed is immediately due and payable. As described above, the Company's view is that no breaches have occurred. On this basis, the company is also of the view that:

- no event of default has occurred;
- as no event of default has occurred, the provisions of clause 8.2 do not apply in the circumstances; and
- accordingly, Alignment's CN is not immediately due and payable.

2. Letter from solicitors dated 19 March 2018 on behalf of various parties (in their capacity as noteholders pursuant to CN Deeds between each party and the Company) ("Noteholders")

Pursuant to this letter, the Noteholders of CNs in the amount of \$426,000 inclusive of interest:

- provided a notice of default to the Company under clause 8.1(b) of the CN Deeds;
- provided a notice of default to the Company under clause 8.1(h) of the CN Deeds;
- alleged a breach of clauses 7.1(e) had occurred; and
- demanded immediate repayment of the principal sum and interest of the CN pursuant to clause 8.2 of the CN Deeds.

By way of background, clause 8.1(h) of the CN Deeds states that if a *material adverse event* occurs, this is an event of default. A *material adverse event* is defined under the CN Deeds as an event which has a *material adverse effect* on the Company, where *material adverse effect* is defined as a material adverse effect on the Company's ability to perform and comply with its obligations under the CN Deeds or the Noteholders rights under the CN Deed.

The Noteholders do not specify in their letter the circumstances in which they allege a breach of clause 7.1(e) has occurred. If the Noteholders are alleging that the Company has breached clause 7.1(e) by not disclosing the termination of a contract (as referred to in Alignment's letter above), the Company is of the view that no breach of clause 7.1(e) has occurred for the reasons set out above in respect of the Company's response to the letter from Alignment (and therefore for the same reasons, no event of default under clause 8.1(b) has occurred).

The Noteholders state that an event of default has occurred under clause 8.1(h) as a result of the service of Alignment's notice of default on the Company.

As the Company is of the view that:

- even if Alignment's notice of default is valid (which is denied), it does not consider this comes within the definition of *material adverse effect* and accordingly, is not a default. The Company notes the only material obligation of the Company under the CN Deeds are to repay the moneys on the repayment date and/or arrange the issue of securities on conversion of the CN;
- no event of default has occurred under the CN Deed with Alignment, it is also of the view that no event of default has occurred under the CN Deeds with the Noteholders.

3. Letter from solicitors dated 20 March 2018 on behalf of various parties (in their capacity as noteholders pursuant to CN Deeds between each party and the Company) ("Noteholders") enclosing copies of Breach Notices

Pursuant to this letter (from Noteholders of CNs in the amount of \$426,000 inclusive of interest – noting these parties are also the parties to the letter in paragraph 2 above):

- the Noteholders referred to breach notices delivered to the Company by the Noteholders between 18 and 20 February 2018 pursuant to clause 6.1 of the CN Deeds (**Breach Notices**) which requested that the Company issue note certificates to each Noteholder in respect of the CNs (**Note Certificates**); and
- as a result of the Company not providing Note Certificates as requested under the Breach Notices, the Noteholders provided a notice of default to the Company under clause 8.1(b) of the CN Deeds; and
- as a result of the default, the Noteholders have demanded immediate repayment of the principal sum and interest of the CN pursuant to clause 8.2 of the CN Deeds.

By way of background:

- clause 6.1 of the CN Deeds provides that the Company must, within 5 business days of the date which is 2 business days from the date of execution of each CN Deed, provide each Noteholder with a Note Certificate; and
- clause 9.2 of the CN Deeds states that the Company's address for service of notices under the CN Deeds by email is companysecretary@tikforce.com.

The Company confirms:

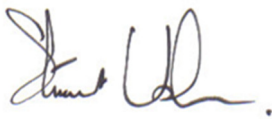
- it first became aware of the existence of the Breach Notices when it received the 20 March 2018 letter from the Noteholders' solicitors (**Letter**) which contained copies of the Breach Notices as an annexure to the Letter;
- as the Noteholders were purporting in the Letter that the Breach Notices were sent to companysecretary@tikforce.com, the Company investigated the inbox of this email account and ascertained that this email account never received the Breach Notices.

Accordingly, the purported notices were not served in accordance with the notice provisions of the note deed. In which case, the Company is of the view that no event of default of default has occurred.

However, since becoming aware of the Breach Notices (on receipt of the Letter) the Company confirms that as of today, the Company has sent Note Certificates to the Noteholders.

In light of all of the above, the Company is of the view that the moneys under the CN Deeds are not immediately due and payable.

For and on behalf of Tikforce Limited



Stuart Usher
Company Secretary

Tikforce Limited

-ENDS-