



31 July 2020

## **Netlinkz to raise up to A\$18m through Convertible Note issue to strengthen balance sheet and underpin sales growth**

- **Proposed Convertible Note issue is subject to shareholder approval and agreement with potential investors and is to be used to repay current loan facilities with Lind and CST and strengthen the Netlinkz balance sheet.**
- **Proposed issue of 20m Convertible Notes which in aggregate convert to a maximum of 200m shares.**
- **Each Convertible Note will have 7.5 Attaching Options exercisable at A\$0.10 each within two years from the date of issue and converting into fully paid ordinary Netlinkz shares – provides a potential future source of growth capital for the Company.**
- **The proposed Convertible Notes are less dilutive as a result of having a conversion price of A\$0.10<sup>1</sup> each, which after taking into account the 10% face value discount is a ~55% premium to the last closing price and removes any ‘overhang’ of stock.**
- **Net would have the right of first refusal to pay out any conversion of the Convertible Notes at the five day VWAP as opposed to allowing conversion.**
- **The funds proposed to be raised are also proposed to be used to seek to drive sales of the VSN in China through the AOFA structure as well as targeting multiple growth opportunities for the VSN in other geographic regions, including Japan.**
- **Netlinkz has also reached agreement with Lind and CST in relation to the repayment and future termination of the pre-existing Share Purchase and Convertible Security Agreements with each of those parties.**

**Virtual Secure Network (VSN) company Netlinkz Limited (ASX: NET) ('Netlinkz' or 'Company')** is pleased to report today that, subject to shareholder approval and subject to reaching agreement with potential investors, the Company proposes to raise up to A\$18m through the issue of 20m Convertible Notes. Any such funds are proposed to be used to pay out existing loans held with Lind Global Macro Fund, LP (**Lind**) and CST Capital Pty Ltd (**CST**); seek to grow sales in China through iLinkAll's accelerated release of the latest version of its VSN

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<sup>1</sup> Although each Convertible Note would be issued at an issue price which is a 10% discount to the face value, as described below, and interest would also be deducted up-front.



product, and to enter new geographic regions. The raise will also fund payment of the up-front interest on the Convertible Notes, costs of the offer and general working capital requirements.

Key highlights of the proposed Convertible Note issue are referenced above and details of the issue and repayment agreements with Lind and CST are summarised below (**see sections 1 & 2 below**).

The proposed issue of Convertible Notes and Attaching Options would give the Company the necessary financial flexibility and balance sheet strength to significantly accelerate targeting of growth. Formulating the proposed Convertible Note terms (including in discussion with the ASX) and agreeing terms with Lind and CST have been extensive processes. Today's announcement lifts Netlinkz's suspension from trading on the ASX and Netlinkz thanks shareholders for their support and patience during this time.

### **Commentary**

**Netlinkz Executive Chairman and Chief Executive Officer James Tsiolis said:** *"This proposed funding, which is subject to the approval of our shareholders, is an excellent initiative for Netlinkz.*

*If the funding can be raised, it would give us the necessary certainty and runway to target accelerating sales growth and aim for our market-leading VSN technology suite to achieve much greater take up, particularly in China where our iLinkAll business is making solid progress. As well, there is considerable scope for targeting growth by scaling up Netlinkz's distribution capability.*

*Netlinkz continues to perform very well despite the challenging macro headwinds. As a company that builds virtual software solutions, we are exceptionally well positioned in the current market given the increased desire from businesses and government to establish secure peer-to-peer networks that enables them to quickly connect sites, devices and staff with greater security, flexibility and speed.*

*We look forward to securing the necessary approvals from shareholders as soon as we can, and to also report on our performance for the June quarter shortly. Netlinkz is in great shape."*

### **1. Proposed issue of Convertible Notes and unlisted options to professional and sophisticated investors**

The Company is proposing to issue up to 20,000,000 convertible notes (with an aggregate face value of up to A\$20,000,000) (**New Notes** or **Notes**) and up to 150,000,000 free attaching options (**Attaching Options**) as a funding source for the Company. Each New Note would be issued at an issue price which is a 10% discount to the face value, as described below, and interest would also be deducted up-front.

The recipients of the New Notes and Attaching Options are proposed to be professional and, or alternatively, sophisticated investors (**Proposed Recipients**), which may include one or more of EverBlu Capital Pty Ltd (**EverBlu**, which will act as the Company's corporate adviser and lead manager), its directors, clients, related entities, shareholders, principals, employees, consultants and associates (and associates of any of the above). Certain creditors of the Company may also subscribe for New Notes and Attaching Options, the payment for which may be set off against the Company's payment obligations to such creditors. There are no such arrangements currently in place.

Refer to section 3 below for details of the Company's terms of engagement for EverBlu to act as the Company's corporate adviser and lead manager in relation to this fundraising and for details of EverBlu's proposed remuneration.

The issue of the New Notes and Attaching Options requires the approval of the Company's shareholders (**Shareholders**) under ASX Listing Rule 7.1. Accordingly, the Company proposes to seek Shareholders' approval for the issue of the New Notes and Attaching Options to the Proposed Recipients at an upcoming general meeting.

The Company has not yet agreed to issue any of the New Notes or Attaching Options. The Board will determine



whether to issue any New Notes and Attaching Options, and the Company makes no forecast of whether that will occur or whether any new funds will be raised.

Each Attaching Option is indicatively proposed to entitle the holder to subscribe for one fully paid ordinary share in the Company (**Share**) upon payment of the exercise price of A\$0.10 per Attaching Option, will be immediately exercisable on issue and will expire on the date which is 2 years after the date of issue of the Attaching Option.

Seven and a half Attaching Options (with fractional entitlements rounded down) are proposed to be issued for each New Note that is issued, assuming Shareholders approve the issue of the New Notes and Attaching Options.

The New Notes would be able to be converted to Shares at the election of the holder of the New Notes. The mechanism to calculate the conversion price of each New Note is set out in Annexure 1 of this announcement, being (subject to any adjustments in accordance with the terms in that Annexure) that the number of Shares to be issued upon conversion is the face value divided by A\$0.10. The combined face value of the maximum number of New Notes (being A\$20,000,000) could (subject to any such adjustments) convert to a maximum number of 200,000,000 Shares.

The issue price for each New Note is A\$0.90 (being 90% of the face value of each New Note, although 100% of the face value would be owed by the Company). The interest payable on the New Notes would be A\$0.09 per New Note (being 9% of the face value), which amount would be paid by the Company up-front as a deduction from the cash being received from the New Note holders.

Funds to be raised from the issue of the New Notes are indicatively to be used by the Company as follows (subject to the Board's discretion):

Amount (A\$)	Description of use of funds
6,440,000	Repay current loan facilities with Lind and CST
8,680,000	General working capital expenditure on administration costs, research and development, marketing and costs of sales in Australia, Japan and China.
1,800,000	Interest on New Notes
1,080,000	Costs of the offer

To the extent that less than the maximum numbers of New Notes and Attaching Options are issued, the Board reserves the right to scale back the above expenditures at the Board's discretion.

Netlinkz makes no forecast of whether it will ultimately enter into agreements to borrow funds by offering New Notes or otherwise, but will keep the market informed of any material developments.

Refer to Annexure 1 of this announcement for further details relating to the indicative proposed terms of the New Notes.

## **2. Proposed termination of Share Purchase and Convertible Security Agreements with Lind and CST**

As announced on and since 24 December 2019, the Company entered into share purchase and convertible security agreements with each of Lind and CST (the **SPCSAs**). Pursuant to the terms of each agreement, Lind and CST each agreed to provide funding to the Company by way of two separate funding streams, namely subscriptions for ordinary shares in the Company and the advancement of convertible note instruments. Refer to the Company's ASX announcements of 24 December 2019 for details of the SPCSAs.



The ASX has also determined that the terms of the Replacement Convertible Notes the subject of the SPCsAs (which were also described in the Company's announcements of 24 December 2019) would not satisfy ASX Listing Rule 6.1.

The Company has now entered into separate deeds with each of Lind and CST as summarised in Annexure 2 of this announcement, including for the proposed termination of the SPCsAs and the payment by the Company of cash and (subject to Netlinkz shareholders' approval) the issue of Shares to Lind and CST. Please refer to Annexure 2 for further information.

### **3. Proposed issue of shares to EverBlu**

The Company has entered into the EverBlu Mandate with EverBlu pursuant to which the Company engaged EverBlu to provide certain services to the Company (further details of which were detailed in the Company's ASX announcement of 24 April 2020).

As consideration for providing the potential fundraising comprising the New Notes, the Company proposes to issue up to 18,620,690 Shares to EverBlu or its nominees (the **EverBlu Shares**). Based on the most recent market price of shares in the Company prior to its suspension from trading on ASX (which was \$0.058 on 12 June 2020) the EverBlu Shares equate to A\$1,080,000 (however, this is not a statement of value, given that the market price of Shares fluctuates). The issue of the EverBlu Shares is subject to prior approval of Shareholders at the upcoming general meeting of the Company (including for the purpose of Listing Rule 7.1).

The actual number of those EverBlu Shares to be issued to EverBlu or its nominees will be pro rata to reflect the percentage of A\$18 million which is borrowed by the Company pursuant to New Notes (excluding the 10% discount to the face value of the Notes).

The EverBlu Shares, if approved by Shareholders, would comprise EverBlu's entire fee for the services it provided or will provide to the Company in relation to the issue of the New Notes and Attaching Options. The additional securities and 6% cash fee payable to EverBlu under the EverBlu Mandate described in the Company's ASX announcement of 24 April 2020 will not be payable if Shareholders approve the issue of the 18,620,690 Shares and they are subsequently issued. Failing Shareholders' approval, EverBlu and the Company may negotiate an equivalent cash payment by the Company to EverBlu in lieu of the issue of the EverBlu Shares to EverBlu (or its nominees).

### **4. Working capital loan**

Everblu has confirmed its intention to facilitate the advancement of funds of up to \$1.8 million to the Company, upon request, by way of unsecured working capital loans, to be provided by Atlantic Capital Group Pty Ltd (an entity controlled by Adam Blumenthal of Everblu). The terms of these loans are expected to be a loan term of three months from drawdown, at an interest rate of 5% per 3 months, and repayable in cash. Everblu will not be paid any fees in connection with the facilitation of these loans.

This announcement has been approved for public release by James Tsiolis, Chairman and CEO of Netlinkz Limited.

**\*\*\*ENDS\*\*\***

### **Forward Looking statements**

This announcement contains forward-looking statements with respect to Netlinkz and its respective operations, strategy, investments, financial performance and condition. These statements generally can be identified by use of forward-looking words such as "may", "will", "expect", "estimate", "anticipate", "intends", "believe" or "continue" or the negative thereof or similar variations. The actual results and performance of Netlinkz could differ materially from those expressed or implied by such statements. Such statements are



qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. Some important factors that could cause actual results to differ materially from expectations include, among other things, general economic and market factors, competition and government regulation.

The cautionary statements qualify all forward-looking statements attributable to Netlinkz and persons acting on its behalf. Unless otherwise stated, all forward-looking statements speak only as of the date of this announcement and Netlinkz has no obligation to update such statements, except to the extent required by applicable laws.

### **About Netlinkz Limited**

Netlinkz provides secure and efficient cloud network solutions. The Netlinkz's technology makes Fortune-500 security commercially available for organisations of all sizes. Netlinkz has received numerous industry awards for its technology, including being a worldwide winner of the Global Security Challenge.

[www.Netlinkz.com](http://www.Netlinkz.com)



## Annexure 1: Summary of New Notes Terms

<b>Term</b>	The Notes mature 12 months from the date of issue of the Notes to the relevant holders of those Notes (each a <b>Holder</b> ), except that the Holder can elect, by prior written notice to the Company to be repaid from 1 December 2020 ( <b>Maturity Date</b> ).
<b>Face Value</b>	A\$1.00 per Note ( <b>Face Value</b> ).
<b>Amount payable to acquire each Note</b>	A\$0.90 per Note (subject to the deduction of interest, as noted below).
<b>Interest</b>	Each Note incurs interest at 9% of the Face Value (being A\$0.09), which interest: <ol style="list-style-type: none"> <li>1. accrues on the date when the Note is issued; and</li> <li>2. is deemed to have been paid in full by way of set-off, as a deduction from the subscription price for the Note.</li> </ol>
<b>Security</b>	Each Note is unsecured.
<b>Unquoted</b>	The Notes will not be quoted on the ASX.
<b>Conversion Price</b>	The <b>Conversion Price</b> is A\$0.10 per Share.
<b>Conversion</b>	<p>Each Holder may elect to convert all or some of the Notes into such number of Shares as is determined by dividing the sum of the Face Value remaining for those Notes by the Conversion Price at any time on or prior to the Maturity Date.</p> <p>If the Company receives from a Holder a notice to convert Notes into Shares, the Company has the right of first refusal (in the Company's sole discretion) to, instead of issuing Shares, pay in cash the Market Value of the conversion Shares the subject of the notice (in which case such Notes will not be converted into Shares and will be automatically cancelled upon payment of such cash and may not be reissued) (<b>Right of First Refusal</b>).</p> <p><b>Market Value</b> means the Volume Weighted Average Market Price (as defined in the ASX Listing Rules) per Share of Shares for the period of five trading days immediately before the date on which the Company receives a notice from a Holder to convert Notes into Shares (or such alternate amount as the Company and the Holder may agree in writing).</p> <p>Unless converted or already repaid, each Note entitles the Holder to be repaid in</p>



	<p>cash by the Company as described in the “Redemption” section below.</p> <p>Each conversion notice from the Holder must elect to convert:</p> <ol style="list-style-type: none"> <li>1. at least 10,000 Notes (but no more than 500,000 Notes); or</li> <li>2. all the Notes outstanding, as at the date of the conversion notice.</li> </ol> <p>If a Note is converted into Shares then such Note will be automatically cancelled and may not be re-issued.</p> <p>If at any time prior to the Maturity Date, a Change of Control Event occurs, the Company may elect to convert all the Notes then outstanding into such number of Shares as is determined by dividing the sum of the Face Value remaining for those Notes by the Conversion Price.</p> <p><b>Change of Control Event</b> means, in respect of the Company:</p> <ol style="list-style-type: none"> <li>1. a court approval of a merger by way of scheme of arrangement (but shall not include a merger by way of scheme of arrangement for the purposes of a corporate restructure (including change of domicile, consolidation, sub-division, reduction or return of the issued capital of the Company)); or</li> <li>2. a takeover bid (as defined in the Corporations Act, <b>Takeover Bid</b>): <ol style="list-style-type: none"> <li>(a) is announced;</li> <li>(b) has become unconditional; and</li> <li>(c) the person making the Takeover Bid has a relevant interest (as defined in the Corporations Act) in 50% or more of the Shares.</li> </ol> </li> </ol>
<p><b>Procedure to prevent conversion from breaching Australian takeovers laws</b></p>	<p>If the Holder notifies the Company or the Company determines (acting reasonably) that a conversion of Notes would result in the Holder (or any other person or entity) being in contravention of section 606(1) of the Corporations Act then, if the Company declines to exercise its Right of First Refusal, in respect of that number of Notes the conversion of which would result in the Holder (or any other person or entity) being in contravention of section 606(1) of the Corporations Act:</p> <ol style="list-style-type: none"> <li>1. the conversion shall be deferred until such time or times thereafter that the conversion would not result in a contravention of section 606(1) of the Corporations Act; and</li> <li>2. if no other Item in section 611 of the Corporations Act is applicable, the Company will as soon as reasonably practicable convene a meeting of Shareholders to seek approval for the purpose of, and in accordance with, Item 7 of section 611 of the Corporations Act, for the issue of the Shares to be issued pursuant to the conversion.</li> </ol> <p>If Shareholder approval for the conversion is not obtained at the meeting of Shareholders convened by the Company then the Company will, within 90 days</p>



	<p>of the meeting of Shareholders, pay to the Holder an amount equal to the aggregate remaining Face Value of the Notes the conversion of which would result in the Holder (or any other person or entity) being in contravention of section 606(1) of the Corporations Act and upon such payment such Notes will be cancelled.</p>
<b>Redemption</b>	<p>Each Note, unless converted into Shares in accordance with the conversion process above or already repaid, entitles the Holder to be paid by the Company (in cash) the Face Value remaining for that Note on the fifth business day after the Termination Date.</p> <p>If a Note is repaid by the Company in cash in this way, then such Note will be automatically cancelled and may not be re-issued.</p> <p><b>Termination Date</b> means the earlier to occur of:</p> <ol style="list-style-type: none"> <li>1. the Maturity Date; and</li> <li>2. the date that is 20 business days following receipt by the Company of a notice from the Holder following the occurrence of an Event of Default (as summarised below), by which the Holder declares all of the Notes then outstanding due and payable and demands the payment of the remaining Face Value for each Note.</li> </ol>
<b>Transferability</b>	<p>The Notes cannot be sold, assigned or transferred (other than, subject to the Corporations Act, the Company's constitution and the ASX Listing Rules, as applicable, to a related body corporate of the Holder or with the Company's prior written agreement, which must not be unreasonably withheld or delayed, to a person satisfying the requirements of sections 708(8), (10) or (11) of the Corporations Act).</p>
<b>Bonus Issues and Reconstruction</b>	<p>If at any time after the issue of the Notes but before the earlier of the Notes being:</p> <ol style="list-style-type: none"> <li>1. converted into Shares; or</li> <li>2. repaid by the Company,</li> </ol> <p>the Company:</p> <ol style="list-style-type: none"> <li>3. makes a Bonus Issue and issues to the holders of Shares any Bonus Securities, then subject to the Corporations Act, the Company's constitution and the ASX Listing Rules, as applicable, the Company must issue to the Holder Bonus Securities of the number which the Holder would have been entitled to receive, by way of participation in the issue of Bonus Securities, if it had converted the Notes then on issue into Shares: <ol style="list-style-type: none"> <li>(a) immediately before the issue of Bonus Securities; or</li> </ol> </li> </ol>





	<p>(b) if before the conversion there has been more than one issue of Bonus Securities, immediately before the first issue of Bonus Securities, and had retained all the Shares issued on conversion together with all the Bonus Securities which would have been issued to it under this clause following the first issue; or</p> <p>4. conducts a reconstruction (including, consolidation, subdivision, reduction or return) of the issued capital of the Company, then subject to the Corporations Act, the Company's constitution and the ASX Listing Rules, as applicable, the basis for conversion of the Notes into Shares will be reconstructed (as determined by the Company) in the same proportion as the issued capital of the Company is reconstructed and in a manner which will not result in any additional benefits being conferred on the Holder which are not conferred on the Shareholders of the Company, (subject to the same provisions with respect to rounding of entitlements as are sanctioned by the meeting of Shareholders approving the reconstruction of capital) but in all other respects the terms for conversion of those Notes will remain unchanged.</p> <p>Fractional entitlements are disregarded for the purposes of the above (except to the extent specified in paragraph 4 immediately above).</p> <p><b>Bonus Issue</b> has the meaning given to that term in the Listing Rules.</p> <p><b>Bonus Securities</b> means securities issued by the Company under a Bonus Issue.</p>
<p><b>Issue of Options</b></p>	<p>For each Note, the Holder will be issued with 7.5 options (being the Attaching Options) (provided that if the resultant number contains a fraction, such number shall be rounded down to the next lowest whole number of Options), subject to the Company having received its shareholders' prior approval for the purposes of Listing Rule 7.1 (and any other applicable Listing Rule) for the issue of the options to the Holder and subject also to compliance with the Corporations Act, the Constitution and the Listing Rules.</p>
<p><b>Events of Default</b></p>	<p>1. The occurrence, without the prior written consent of the Holder, of any of the following events is deemed an <b>Event of Default</b>:</p> <p>(i) Non-payment</p> <p>(A) The Company does not pay on the due date any amount payable by it pursuant to the terms of the Notes at the place and in the currency in which it is expressed to be payable unless:</p> <p>(1) its failure to pay is caused by administrative or technical error; and</p> <p>(2) payment is made within five business days of its due date.</p> <p>(ii) Other obligations</p>



	<p>(A) Subject to Event of Default 1(ii)(B), the Company does not comply with any term of the Notes (other than those referred to in Event of Default 1(i) (Non-payment).</p> <p>(B) No Event of Default under Event of Default 1(ii)(A) will occur if the failure to comply is capable of remedy and is remedied within 20 business days of the earlier of the Holder giving notice to the Company and the Company becoming aware of the failure to comply.</p> <p>(iii) Misrepresentation</p> <p>(A) Subject to Event of Default 1(iii)(B), any representation or statement made or deemed to be made by the Company in the Note terms is or proves to have been incorrect or misleading in any material respect when made or deemed to be made.</p> <p>(B) No Event of Default under Event of Default 1(iii)(A) will occur if the circumstances giving rise to the misrepresentation are capable of remedy and are remedied within 20 business days of the earlier of the Holder giving notice to the Company and the Company becoming aware of the misrepresentation.</p> <p>(iv) Cross default</p> <p>(A) Subject to Event of Default 1(iv)(B):</p> <ol style="list-style-type: none"><li>(1) any financial indebtedness of any member of the Group is not paid when due nor within any originally applicable grace period;</li><li>(2) any financial indebtedness of any member of the Group is declared to be, or otherwise becomes, due and payable prior to its specified maturity as a result of an event of default or review event (however described);</li><li>(3) any commitment for any financial indebtedness of any member of the Group is cancelled or suspended by a creditor of any member of the Group as a result of an event of default or review event (however described); or</li><li>(4) any creditor of any member of the Group becomes entitled to declare any financial indebtedness of any member of the Group due and payable prior to its specified maturity as a result of an event of default or review event (however described).</li></ol> <p>(B) No Event of Default will occur under Event of Default 1(iv)(A) if the aggregate amount of financial indebtedness or commitment for financial indebtedness falling within Events of Default 1(iv)(A)(1) to 1(iv)(A)(4) is less than A\$500,000 (or its equivalent in any other currency or currencies).</p> <p>(v) Insolvency</p>
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	<p>(A) A member of the Group:</p> <ol style="list-style-type: none"><li>(1) is or is presumed or deemed to be unable or admits inability to pay its debts as they fall due;</li><li>(2) suspends making payments on any of its debts; or</li><li>(3) is "deregistered" (as defined in the Corporations Act).</li></ol> <p>(B) A moratorium is declared in respect of any indebtedness of any member of the Group.</p> <p>(vi) Insolvency proceedings</p> <p>(A) Any corporate action, legal proceedings or other procedure or step is taken in relation to:</p> <ol style="list-style-type: none"><li>(1) the suspension of payments, a moratorium of any indebtedness, winding up, dissolution or external administration or reorganisation (other than a solvent reorganisation) of any member of the Group except an application made to a court for the purpose of winding up such a person which is disputed by the Company acting diligently and in good faith and dismissed within 20 business days;</li><li>(2) a composition, compromise, assignment or arrangement (other than a solvent arrangement) with any creditor of any member of the Group;</li><li>(3) the appointment of a liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer in respect of any member of the Group or any of its assets except an application made to a court for the purpose of appointing such a person which is disputed by the Company acting diligently and in good faith and dismissed within 20 business days; or</li><li>(4) enforcement of any Security over any assets of any member of the Group.</li></ol> <p>(vii) Creditors' process</p> <p>(A) Any expropriation, attachment, sequestration, distress or execution affects any asset or assets of a member of the Group having an aggregate value greater than A\$500,000 (or its equivalent in any other currency or currencies) and is not discharged within 20 business days.</p> <p>(viii) Unlawfulness</p> <p>(A) It is or becomes unlawful for the Company to perform any of its obligations under the Note terms.</p> <p>(ix) Repudiation</p>
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	<p>(A) The Company repudiates the Note terms or evidences an intention to repudiate the Note terms.</p> <p>(x) Vitiating of the Note terms</p> <p>(A) A provision of the Note terms is or becomes wholly or partly invalid, void, voidable or unenforceable in any material respect.</p> <p>2. On the occurrence of an Event of Default, the Holder may by written notice to the Company declare all of the Notes then outstanding due and payable and demand the payment of the Face Value then outstanding for each Note.</p> <p>3. Upon receipt of a declaration under item 2 (immediately above), the sum of the then outstanding Face Value for the Notes shall become due and payable by the Company to the Holder on the date that is 20 business days following receipt of such declaration and the Company must pay such amount to the Holder within this timeframe.</p> <p><b>Group</b> means the Company and its related bodies corporate (as defined in the Corporations Act) and <b>member of the Group</b> means any of them.</p> <p><b>Security</b> means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect, including any "security interest" as defined in sections 12(1) or (2) of the <i>Personal Property Securities Act 2009</i> (Cth).</p>
<p><b>Covenants, warranties and representations by the Company</b></p>	<p>The Company will also give certain customary covenants, representations and warranties to the Holder.</p>



## **Annexure 2: Summary of the Deeds between the Company and each of Lind and CST**

As noted in section 2 above, the Company has entered into separate deeds with each of Lind and CST (each an **Investor**) relating to the pre-existing share purchase and convertible security agreements with each of Lind and CST (the **SPCSAs**). Pursuant to those deeds:

- (a) The Company must pay to each Investor the agreed amount outstanding under the relevant SPCSA (which is A\$3,320,000 in the case of CST and A\$3,120,000 in the case of Lind) by way of the following payments:
  - i. an initial payment of A\$1,020,000 to CST and A\$820,000 to Lind on or before 7 August 2020; and
  - ii. the balance on or before 28 September 2020 (noting that if the Company conducts certain equity or debt capital raising prior to that date, the net proceeds of that raising must be utilised to pay that balance).
- (b) The Collateral Shareholding Number is reduced to zero (meaning that Lind and CST can keep their respective Collateral Shares (as described in the 24 December 2019 announcements) without having to pay the Company for those Collateral Shares).
- (c) Subject to, and conditional upon, the Company first obtaining its shareholders' approval, the Company must issue to each Investor ten million Shares on or before 28 September 2020 (ie twenty million shares in total), in which case no payment is to be made pursuant to clause (d) below.
- (d) If the Company is unable to obtain its shareholders' approval for the issue of the above Shares to the Investors on or before 28 September 2020, then on or before 5 October 2020 (if those Shares have not been issued by then), the Company, instead of issuing those Shares, must pay to each Investor a cash amount in Australian dollars which is the greater of:
  - i. A\$512,490; or
  - ii. 10,000,000 multiplied by the volume weighted average market price (**VWAP**) per Share for the twenty trading days on which trades occur in Shares immediately prior to 28 September 2020,in which case no such Shares will be issued by the Company.

Failure for the Company to comply with the above (or certain events of default) would mean the deeds with Lind and CST terminate, the SPCSAs would continue to apply and the Company would forfeit A\$500,000 of the above payments to each of Lind and CST (i.e. A\$1 million in total) and the Collateral Shareholding Number will remain reduced to zero.

On the other hand, if the payments occur pursuant to clause (a) above then, with immediate effect upon either the Shares being issued under clause (c) above or the payments being made pursuant to clause (d) above:

- (a) the SPCSAs are terminated;
- (b) the Convertible Securities (as described in the 24 December 2019 announcements, and which are also referred to as the First Convertible Notes in those announcements) with each of Lind and CST are terminated and cancelled for nil consideration; and
- (c) each party to the SPCSAs is irrevocably and unconditionally released from its obligations under the SPCSAs.

In the meantime no further transactions will occur under the SPCSAs (such as the issue of Tranche Shares described in the 24 December 2019 announcements) and Lind and CST have (among other things) granted



forbearances and waivers in relation to certain matters pursuant to the SPCSAs, including (among other things) for any outstanding events of default.

In addition, the security interests which Lind and CST have in relation to Company assets would be released upon termination of the SPCSAs.

The deed between the Company and each of CST and Lind contain further customary clauses, such as mutual releases and indemnities.