

**Azonto Petroleum Limited**

ACN 117 227 086
Suite 5
531 Hay Street
SUBIACO WA 6008

Tel: +61 8 9380 8333
Fax: +61 8 9380 8300
admin@azpetro.com
www.azpetro.com

To: Company Announcements Office
ASX Limited, Exchange Centre
20 Bridge Street
Sydney NSW 2000



15 April 2016

ASX Code: APY

Azonto Petroleum Limited ("Azonto" or the "Company") to acquire Clipfort

The Company is pleased to announce that it has executed a binding term sheet to acquire Clipfort LTD BV (**Clipfort**) which owns intellectual property (directly and under license) relating to the GoSafe ID Mag, fingerprint-activated gun magazine, designed to provide responsible gun owners with a better solution for the safe transport, storage and use of their firearms.

HIGHLIGHTS

- **GoSafe ID Mag is an innovative gun safety solution designed to help prevent unauthorized and unintentional shootings**
- **Planned product fitment across popular handguns and rifles without any gun modifications**
- **Once inserted, the GoSafe ID Mag shifts to safe mode: the magazine locks inside the firearm and prevents pulling the trigger, even if there is a bullet in the chamber**
- **An ultrafast and highly reliable capacitive touch sensor provides instant access only to gun owner and permitted users**
- **GoSafe ID Mag equipped with an internal rechargeable battery which last more than 6 months based on daily product interaction**
- **GoSafe ID Mag equipped with a high security mechanical overriding key**
- **310 million privately owned firearms in the US - 47% of US households.**
- **68 million hand gun owners - 40 million own a gun for protection**
- **59,000 points of sale for firearms products in the US**

Clipfort

Clipfort has developed the GoSafe ID Mag product platform, a personal gun management solution designed for responsible gun owners.

The GoSafe ID MAG is a personal gun safety solution that prevents unauthorized use of firearms, and provides instant secured access only to the gun owner and permitted users.

Clipfort will first launch with an ID MAG product line for a leading handgun brand, and then expand rapidly to the full spectrum of popular handgun models. Additionally, Clipfort will introduce products for the AR platform.

The GoSafe ID MAG products are based on a state of the art capacitive touch fingerprint sensor with authentication sensor in a firearm magazine to prevent unauthorized use.

With the number of firearms on the rise, Clipfort's unique products provide quick and secured access only to authorized users. This innovative product solution is designed for popular handgun and rifle models, does not require any gun modification or installation and can be used across any firearm with the same magazine fitment.

With the US making up a large part of the global firearms market, Clipfort's business plan is initially focused on the US civilian market, in which there is an excess of 310 million firearms in civilian hands and about 5 million new firearms for civilian use sold annually.

The key target markets are: US families, women (33% of gun owners) and new gun owners. These segments represent the highest growth opportunity in the gun markets. These gun owners are most concerned with safety during storage, transport and use of their firearms.



Key Executives

Daniel Biran (Founder and CEO)

Daniel Biran has over 20 years of experience in successfully founding and managing innovative start-up ventures. Being a veteran of the Israeli special-forces and Ministry of Defense, Daniel has extensive knowledge and experience with firearms' use and technology. Daniel has been engaged in the development of the GoSafe technology for over 6 years and has successfully adapted the technology into Clipfort's current products, while continuously working on additional models and uses for the technology.

Eitan Padan (CFO)

Eitan Padan brings to the table years of experience as Director, CFO and CEO of both private and publicly traded companies. Eitan has extensive experience in finance and corporate transactions having worked as the Chief Financial Officer of the formerly Nasdaq listed Nur Macroprinters and Bezeq International, the subsidiary of Bezeq, listed on the Tel-Aviv Stock Exchange. In addition, Eitan served as the CEO and Director of the AIM listed Engel East Europe N.V. Eitan holds an MBA from Manchester University and a BA in economics from the University of Tel-Aviv. Eitan currently serves on the board of directors of companies in

Omer Kotzer (CDO)

Omer is the Chief Design Officer and Co-Founder of Clipfort and is responsible for the brand experience design at all touch points, including: products, apps, packaging, point of purchase and web. Omer brings to the company more than 20 years of experience in UX (User Experience) and has driven innovation for fortune 500 companies and leading startups. Omer's role includes: product planning, go-to-market strategy, consumer insights, creative direction and multidisciplinary design.

Ulrich Toft (VP Product Management)

Ulrich is the head of R&D and product management with an engineering background and more than 15 years of hands-on experience in technology companies. He has worked in a wide range of globally operating companies, such as GE Healthcare and Syneron-Candela, specializing in project and product management. Ulrich holds a Masters degree in mechanical engineering from The Technical University of Denmark.

Transaction Terms and Conditions

The consideration for the acquisition will be a combination of fully paid ordinary shares in Azonto and performance shares, to be issued pro rata to the shareholders of Clipfort.

The performance shares will convert into ordinary shares on a 1 for 1 basis on the achievement of the applicable performance milestone. The performance shares will be issued in four milestone based tranches, with the following performance milestones:

Class A Performance Shares	product launch of the Glock 17 and Glock 19 GoSafe magazines (exact wording of this milestone to be agreed to satisfy ASX's "objectivity" requirements)
Class B Performance Shares	introduction of an additional 2 new products to the market, one of which is to be a product applicable to the AR-15/M-16 rifle (exact wording of this milestone to be agreed to satisfy ASX's "objectivity" requirements)
Class C Performance Shares	attaining accumulative sales revenues of US\$10 million
Class D Performance Shares	attaining accumulative sales revenues of US\$25 million

If the applicable performance milestone is not satisfied within 3 years from issue, the performance shares will convert into a single ordinary share per holder.

The number of consideration shares and performance shares to be issued will be determined based on the VWAP for Azonto shares during the 10 trading days prior to the date of the Azonto shareholder meeting to approve the acquisition (subject to a floor of \$0.015 and a ceiling of \$0.02 per share).

As set out in the below capital structure table, the number of consideration securities to be issued at the floor of \$0.015 and the cap of \$0.02:

	Floor price \$0.015	Cap price \$0.02
Ordinary shares	1,873,083,333	1,404,812,500
Performance shares (to be issued in 4 equal tranches)	443,333,332	332,500,000

An indicative capital structure for Azonto following completion of the acquisition is set out below.

The acquisition term sheet includes anti-dilution protection for the Clipfort vendors in the event any of the existing Azonto Performance Rights on issue convert as a result of the completion of the acquisition (subject to Azonto shareholder approval).

Conditions

Completion of the acquisition is subject to the usual conditions precedent for a transaction of this nature, including the following conditions which remain outstanding at the date of this announcement:

- Azonto being satisfied with its due diligence investigations on the vendors and Clipfort including potential issues with the patent application of Clipfort in relation to Clipfort's initial product which have been identified during initial intellectual property due diligence within 14 days of the Term Sheet or such longer period as the parties otherwise agree;
- Clipfort being satisfied with its due diligence investigations on Azonto within 14 days of the Term Sheet or such longer period as the parties otherwise agree;
- Clipfort obtaining any necessary consents or waivers from third parties that may be required as a result of the acquisition (including the waiver of any rights the securityholders of Clipfort's major shareholder may have under the constitution of Clipfort's major shareholder or any applicable shareholders agreement (or other applicable arrangement) in relation to the acquisition) within 14 days of the Term Sheet or such longer period as the parties otherwise agree;
- all Clipfort shareholders entering into binding sale agreements to sell their Clipfort shares to Azonto;
- Azonto obtaining all necessary shareholder approvals required for the transaction (including shareholder approvals under Chapters 7 and 11 of the Listing Rules and item 7 section 611 of the Corporations Act);
- the advance of the Convertible Loan to Clipfort (see below);
- Azonto achieving the minimum level of subscriptions under the Capital Raising (see below);
- Clipfort providing audited accounts for itself and its major shareholder since incorporation;
- the parties obtaining any necessary regulatory approvals on acceptable terms, including waivers of the ASX Listing Rules required to conduct the Capital Raising at a price of less than \$0.20 per share, and re-compliance with chapters 1 and 2 of the listing rules of ASX on terms required by ASX;
- Clipfort incorporating an Israeli subsidiary to which its key Israeli based employees will be transferred;
- execution of a formal IP license between Clipfort and its major shareholder; and
- payment of a non-refundable exclusivity fee of US\$100,000 to Clipfort by Azonto.

The end date for the balance of the conditions (other than those which are expressed to be 14 days above) is 30 September 2016.

Capital Raising

Azonto is proposing to conduct a capital raising at a minimum of \$0.02 per share for an amount to be determined which will be sufficient to satisfy ASX admission requirements and the operational needs of GoSafe (**Capital Raising**).

The amount of the Capital Raising will be determined by Azonto in consultation with Clipfort, the Clipfort vendors and Azonto's financial advisers prior to the dispatch of the Notice of meeting for the Acquisition.

Azonto has approximately A\$7million (US\$5.3million) in cash as at 31 March 2016.

Convertible Loan to Clipfort

Azonto has agreed to provide a bridging loan of US\$1.9 million to Clipfort (**Convertible Loan**), to be advanced in the following tranches:

1. US\$ 500,000 to be advanced upon Azonto confirming that it is satisfied with its due diligence on vendors and Clipfort including its intellectual property and Clipfort having obtained all necessary approvals and consents of the securityholders of Clipfort's major shareholder as are required for the acquisition (including the waiver of any rights such securityholders may have under the constitution of Clipfort's major shareholder or any applicable shareholders agreement (or other applicable arrangement) in relation to the acquisition);
2. US\$1,000,000 to be advanced on completion of each of the following:
 - execution of a formal agreement to replace the binding terms sheet in relation to the acquisition; and
 - all Clipfort shareholders entering into binding sale agreements to sell their Clipfort shares to Azonto; and
 - execution of a formal IP license between Clipfort and its major shareholder; and
3. US\$400,000 to be advanced on receipt of Azonto shareholder approval for the transaction.

The key terms of the Convertible Loan will be as follows:

- Interest will accrue at 5% pa (calculated daily, and payable on repayment or conversion).
- The Convertible Loan will be converted or repaid (at Azonto's election) if the acquisition does not proceed to completion. The maturity date will occur on Clipfort raising cumulative future rounds of capital of at least US\$5 million. If Azonto elects to convert the Convertible Loan into Clipfort equity, it will be converted at a price per share determined by the implied value of Clipfort in those future capital raisings (less a 20% discount).
- If Clipfort raises any additional debt before the Convertible Loan is repaid or converted, 40% of the new facility amount must be used to repay the Convertible Loan until the full amount of the Converting Loan is repaid.
- Clipfort must not use the Convertible Loan funds for anything other than activities contemplated by the business plan presented by Clipfort to Azonto.
- Clipfort's major shareholder will guarantee Clipfort's obligations in relation to the loan.

Clipfort Convertible Notes

Prior to completion of the Acquisition, Clipfort may issue up to US\$500,000 of convertible notes in Clipfort to investors who are not related parties of Azonto to assist with its funding of operations between execution of the transaction and completion (together with the Convertible Loan from Azonto – see above).

The obligation to repay these convertible notes will be assigned to Azonto at completion of the acquisition and will convert into Azonto shares at A\$0.015 per Azonto share. These convertible notes will convert into approximately 44,444,444, Azonto shares if the full amount of US\$500,000 is raised (assuming a conversion price of \$0.015 per Azonto share and an exchange rate of US\$1:A\$0.75). The Azonto shares issued on conversion of these notes are in addition to the consideration shares to be issued to the Clipfort vendors.

Board of Directors

On completion of the Acquisition, the Azonto Board will be restructured so that it is comprised of:

- Mr Daniel Biran (see profile above);
- two Australian resident directors;
- one independent director to be agreed by Azonto and the majority shareholder of Clipfort; and
- up to three other directors to be nominated by the majority shareholder of Clipfort.

Indicative Capital Structure

The indicative capital structure post-completion of the Acquisition is set out in the following table:

	Floor price \$0.015			Cap price \$0.02		
	Shares	Performance Rights ¹	Performance Shares	Shares	Performance Rights ¹	Performance Shares
Existing security holders	1,159,375,100	140,569,489	-	1,159,375,100	140,569,489	-
Consideration to acquire Clipfort ²	1,873,083,333	-	443,333,332	1,404,812,500	-	332,500,000
Post-Acquisition Capital Structure ^{3,4}	3,032,458,433	140,569,489	443,333,332	2,564,187,600	140,569,489	332,500,000

Notes:

1. Current performance rights convert on performance milestones related to the former assets of the Company and various share price milestones.
2. Performance shares to convert on the performance milestones set out above under the heading "Transaction Terms and Conditions".
3. This total does not include Azonto shares to be issued under the Capital Raising.
4. This total does not include Azonto shares to be issued on assignment and conversion of up to US\$500,000 convertible notes which Clipfort may issue prior to completion of the acquisition (up to 44,444,444 Azonto shares assuming the full amount of US\$500,000 is raised through the issue of convertible notes, assuming a conversion price of \$0.015 per Azonto share and an exchange rate of US\$1:A\$0.75).

Financial Impact

If the Acquisition proceeds, it is expected to have the following impact on Azonto's total assets, equity, revenue and profit before tax and extraordinary items:

	Azonto (pre-Acquisition) 31 December 2015 (audited)	Consolidated pro-forma financial information 31 December 2015 (un-audited)
Total Assets	\$7,733,788	\$7,493,215
Total Equity	\$7,523,215	\$7,066,912

The preliminary financial information provided is based on the audited financial statements of Azonto and unaudited management accounts of Clipfort as at 31 December 2015. The pro-forma financial information contains the following pro-forma adjustments:

1. The transaction is accounted for as a reverse acquisition
2. The issue of 1,873,083,333 (Floor) or 1,404,812,500 (Cap) shares at either \$0.015 (Floor) or \$0.02 (Cap) at a deemed value of \$28,096,250.
3. The payment of the estimated transaction costs of \$250,000 (excluding capital raising costs).

The above financial impact does not account for the Capital Raising or the conversion of the Clipfort Convertible Notes.

Azonto currently earns no operating revenue. It has minimal other income earned through interest income on its cash reserves. Clipfort has nil operating income as it is in the development phase of its business cycle. Following the completion of the Acquisition, it is unlikely there will be a material change in the revenue profile of the consolidated group as Clipfort will continue to develop its technology with Azonto's available cash and funds raised from the capital raising to be deployed to finalise the development and assist in commercialising the technology. In addition, as Azonto has no operating revenue it has been operating at a loss. As Clipfort also has no operating revenue, it is expected that the operating losses will continue post completion of the Acquisition. However, it is noted that the operations of the combined group post the Acquisition are expected to increase significantly which will result in increased losses until the technology is successfully commercialised.

Detailed information regarding the financial effect of the Acquisition will be contained in the further transaction documents that will be prepared in due course, including the notice of meeting and prospectus and if Azonto elects to proceed with the Acquisition following completion of its due diligence to its satisfaction.

Notes:

This information is unaudited and preliminary and is based on unaudited management accounts for Clipfort.

Indicative timetable

An indicative timetable for the transaction is set out below. The Company notes that the timetable may be subject to change.

Event	Date
Execute and announce Binding Terms Sheet (Due Diligence Period Commences)	15 April 2016
Completion of due diligence by the parties	29 April 2016
Dispatch Notice of Meeting seeking Azonto shareholder approval for the Acquisition	mid-May 2016
Lodge Azonto Re-compliance Capital Raising Prospectus with ASIC	early June 2016
Shareholder meeting to approve the Acquisition	mid-June 2016
Closing date for the Azonto Re-Compliance Capital Raising	early July 2016
Completion of the Acquisition and issue of consideration securities and Capital Raising shares	mid-July 2016
Proposed re-quotation of Azonto shares on ASX	late July 2016

The acquisition of Clipfort constitutes a change in the nature of Azonto's activities pursuant to Chapter 11 of the ASX Listing Rules. The Company is accordingly required to obtain shareholder approval for the change and also to re-comply with the admission requirements of Chapters 1 and 2 of the ASX Listing Rules.

-ENDS-

Azonto Petroleum Limited

Glenn Whiddon

Telephone: +61 (8) 9380 8333

Email: IR@azpetro.com

Neil Hackett

Telephone: +61 403 535 391

Email: IR@azpetro.com
