

CLEANSING NOTICE

CONVERTIBLE SECURITIES AGREEMENT

14 August 2023

This cleansing notice (**Cleansing Notice**) is given by ChemX Materials Limited (**Company**) under section 708A(12C)(e) of the *Corporations Act 2001* (Cth) (**Corporations Act**) as amended by ASIC Corporations (Sale Offers: Securities Issued on Conversion of Convertible Notes) Instrument 2016/82.

The Company hereby confirms that:

- (a) the convertible notes described below will be issued without disclosure to an investor under Part 6D.2 of the Corporations Act; and
- (b) this Cleansing Notice has been given in accordance with section 708A(12C)(e) of the Corporations Act.

The issue of this Cleansing Notice enables the fully paid ordinary shares in the capital of the Company (**Shares**) issued on the conversion of the convertible 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.

1. BACKGROUND

1.1 Convertible Securities Agreement

As announced on 4 August 2023, the Company has entered into a convertible securities agreement (**Convertible Securities Agreement**) with Mercer Street Global Opportunity Fund, LLC (**Mercer**), a United States based investment group, to provide the Company with funding of up to a total of \$6 million.

The first tranche of funding of \$500,000 will be provided to the Company upon satisfaction of the initial closing conditions, in exchange for the issue of 600,000 convertible notes (each with a face value of \$1) (**Tranche 1 Notes**).

Under the Convertible Securities Agreement, the Company and Mercer can agree to additional drawdowns of up to a further \$5.5 million, in exchange for the issue of up to a further 6,600,000 convertible notes to Mercer (each with a face value of \$1), subject to the satisfaction of further closing conditions.

A broad summary of the rights, privileges and restrictions attaching to the Tranche 1 Notes is set out in Schedule 1 of this Cleansing Notice. The summary is not exhaustive and does not constitute a definite statement of the rights and liabilities of the Tranche 1 Note holder (**Noteholder**).

In addition, the Company agreed under the Convertible Securities Agreement to issue 2,415,761 fully paid ordinary shares (**Shares**) to Mercer for nil consideration (**First Commencement Shares**). Subject to the approval of the Company's shareholders, the Company has also agreed to issue Mercer 155,668 Shares and 2,272,727 options to acquire Shares for nil consideration.

For further information in relation to the Convertible Securities Agreement, please refer to the Company's announcement dated 4 August 2023.

The Company will today issue the First Commencement Shares and the Tranche 1 Notes.

2. CONTENTS OF THIS CLEANSING NOTICE

This Cleansing Notice sets out the following:

- (a) in relation to the Tranche 1 Notes:
 - (i) the effect of the issue on the Company;
 - (ii) a summary of the rights and liabilities attaching to the Tranche 1 Notes; and
 - (iii) a summary of the rights and liabilities attaching to the Shares that will be issued on the conversion of the Tranche 1 Notes; and
- (b) any information that:
 - (i) has been excluded from continuous disclosure notices in accordance with the ASX Listing Rules; and
 - (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
 - (iii) other information relating to the Company's status as a disclosing entity.

3. THE EFFECT OF THE ISSUE ON THE COMPANY

3.1 Effect of the issue on the Company

The principal effect of the issue of the Tranche 1 Notes on the Company will be:

- (a) increase the Company's cash reserves by up to \$500,000 (before costs associated with the Tranche 1 Notes);
- (b) increase the number of unquoted convertible notes the Company has on issue from nil to 600,000;
- (c) the issue of the First Commencement Shares, which will occur concurrently with the issue of the Tranche 1 Notes;
- (d) the Company having a liability for the aggregate face value of the Tranche 1 Notes (being \$600,000); and
- (e) if the Tranche 1 Notes are converted at the lowest possible conversion price (being \$0.06), a maximum increase in the number Shares on issue from 95,187,505 (being the number of Shares currently on issue plus the First Commencement Shares) to 105,187,505.

3.2 Pro-forma Consolidated Statement of Financial Position

To illustrate the effect of the issue of the Tranche 1 Notes on the Company, a pro-forma Consolidated Statement of Financial Position (**Pro-forma Accounts**) which is set out below has been prepared based on the financial position of the Company's auditor reviewed accounts for the half-year ended 31 December 2022.

The Pro-forma Accounts show the effect of the issue of the Tranche 1 Notes as if they had been issued on 31 December 2022.

The accounting policies adopted in the preparation of the Pro-forma Accounts are the same as those used in the preparation of the 31 December 2022 reviewed accounts. The historical and Pro-forma Accounts are presented in an abbreviated form, insofar as they don't include all of the disclosures required by Australian Accounting Standards applicable to Half-Year Financial Statements. The Pro-forma Accounts have not been subject to independent audit or review.

The Pro-forma Accounts have been prepared to provide investors with information on the assets and liabilities of the Company and pro-forma assets and liabilities on the basis that the issue of the Tranche 1 Notes were issued on 31 December 2022. The Company advises that the Pro-forma Accounts do not show the current financial position of the Company as at the date of this Notice, and that the information is provided for illustrative purposes only.

The Pro-forma Accounts show the impact that the issue of the Tranche 1 Notes and associated securities would have had on the Company's financial position as at 31 December 2022, if these securities were issued on that date, taking into account the following transactions:

- (a) the issue of the Tranche 1 Notes to Mercer for the investment of \$500,000 in cash; and
- (b) the issue of the First Commencement Shares under the terms of the Convertible Securities Agreement.

As at 31 December 2022	31-Dec-22 Actual \$	Adjustment for issue of Tranche 1 Notes \$	Adjustment for issue of commencement Shares \$	31-Dec-22 Pro-forma \$
Assets				
Current assets				
Cash and cash equivalents	4,175,217	500,000	0	4,675,217
Other receivables	259,875	0	0	259,875
Term deposits	68,807	0	0	68,807
Other assets	30,937	0	0	30,937
Total current assets	4,534,836			5,034,836
Non-current assets				

As at 31 December 2022	31-Dec-22 Actual \$	Adjustment for issue of Tranche 1 Notes \$	Adjustment for issue of commencement Shares \$	31-Dec-22 Pro-forma \$
Property, plant and equipment	39,743	0	0	39,743
Right-of-use assets	593,454	0	0	593,454
Intangibles	1,170,000	0	0	1,170,000
Exploration and evaluation	3,239,050	0	0	3,239,050
Environmental bond	20,000	0	0	20,000
Total non-current assets	5,062,247			5,062,247
Total assets	9,597,083			10,097,083
Liabilities				
Current liabilities				
Trade and other payables	469,012	0	0	469,012
Financial liabilities at fair value through profit or loss	0	600,000	0	600,000
Lease liabilities	103,451	0	0	103,451
Employee benefits	34,502	0	0	34,502
Total current liabilities	606,965			1,206,965
Non-current liabilities				
Lease liabilities	502,557	0	0	502,557
Employee benefits	68	0	0	68
Total non-current liabilities	502,625			502,625
Total liabilities	1,109,590			1,709,590
Net assets	8,487,493			8,387,493
Equity				
Issued capital	11,130,414	0	169,106	11,299,520
Reserves	1,809,457	0	0	1,809,457
Accumulated losses	(4,452,378)	(100,000)	(169,106)	(4,721,484)

As at 31 December 2022	31-Dec-22 Actual \$	Adjustment for issue of Tranche 1 Notes \$	Adjustment for issue of commencement Shares \$	31-Dec-22 Pro-forma \$
Total equity	8,487,493			8,387,493

3.3 Potential effect on capital structure

- (a) As at the date of this Cleansing Notice, the total number of issued Shares is 92,771,744 not including the First Commencement Shares.
- (b) The capital structure of the Company will be affected by the conversion of Tranche 1 Notes by the Noteholder.
- (c) Subject to limits on the conversion under the Convertible Securities Agreement, the Tranche 1 Notes can be:
- (i) converted into Shares (at the applicable conversion price) at any time after their issue and prior to 15 months from the date of issue of the Tranche 1 Notes (the **Maturity Date**); or
 - (ii) if Mercer has not notified the Company in writing by 5.00 pm on the day that is 10 business days prior to the Maturity Date that it will be converting the Tranche 1 Notes (in whole or in part), to the extent not already converted or repurchased prior to the Maturity Date, the Company is to pay in full to the Noteholder the face value of the remaining Tranche 1 Notes (and any accrued but unpaid interest) within 20 business days of the Maturity Date.
- (d) The effect on the capital structure of the Company upon (1) issue and (2) conversion of the Tranche 1 Notes is as follows:

Upon issue:

Convertible Notes	Number
Convertible notes on issue at the date of this Cleansing Notice	Nil
Tranche 1 Notes to be issued under the Convertible Securities Agreement	600,000
Total convertible notes on issue following issue of the Tranche 1 Notes under the Convertible Securities Agreement	600,000

Upon conversion:

Shares	Number
Shares on issue at the date of this Cleansing Notice	92,771,744
Shares issued upon conversion of the Tranche 1 Notes ¹	10,000,000
First Commencement Shares	2,415,761
Total Shares	105,187,505

Notes:

1. This assumes that the Tranche 1 Notes are converted at the lowest possible Conversion Price (being \$0.06). The actual number of Shares to be issued on conversion will be calculated in accordance with the conversion formula for the Tranche 1 Notes, as detailed in Schedule 1.

Other securities currently on issue:

The Company currently has 5,500,000 options on issue. There will be no resulting change to the number of options on issue upon the issue and conversion of the Tranche 1 Notes although the Company has agreed to issue Mercer 2,272,727 options subject to the approval of the Company's shareholders.

The Company currently has 5,700,000 performance rights on issue. There will be no resulting change to the number of performance rights on issue upon the issue and conversion of the Tranche 1 Notes.

The Company has also agreed to issue Mercer an additional 155,668 Shares for nil consideration under the Convertible Securities Agreement subject to Shareholder approval.

4. RIGHTS AND LIABILITIES ATTACHING TO SHARES ISSUED ON CONVERSION OF THE TRANCHE 1 NOTES

The Shares issued to the Noteholder on the conversion of the Tranche 1 Notes under the Convertible Securities Agreement will rank equally in all respects with all of the Company's existing Shares.

Under the Convertible Securities Agreement, the Company is required to apply to ASX for quotation of the Shares issued on conversion of any Tranche 1 Notes.

Full details of the rights and liabilities attaching to Shares are set out in the Company's constitution, a copy of which can be inspected free of charge, at the Company's registered office during normal business hours.

The following is a broad summary of the rights, privileges and restrictions attaching to all Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of the Company's shareholders (**Shareholders**).

(a) General meetings

Each Shareholder is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Company's constitution (**Constitution**), the Corporations Act or the ASX Listing Rules.

(b) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at a general meeting of the Company every holder of fully paid ordinary Shares present in person or by an attorney; representative or proxy has one vote on a show of hands (unless a member has appointed 2 proxies) and one vote per share on a poll.

A person who holds a share which is not fully paid is entitled, on a poll, to a fraction of a vote equal to the proportion which the amount paid bears to the total issue price of the share.

Where there are 2 or more joint holders of a Share and more than one of them is present at a meeting and tenders a vote in respect of the Share, the Company will count only the vote cast by the Shareholder whose name appears first in the Company's Share register.

(c) **Variation of Rights**

Unless otherwise provided by the terms of issue of a class of shares and subject to the Corporations Act, the rights attached to the shares in any class may be varied or cancelled only with the written consent of the holders of at least three-quarters of the issued shares of the affected class, or by special resolution passed at a separate meeting of the holders of the issued shares of the affected class.

(d) **Transfer of Shares**

Subject to the Constitution, the Corporations Act and ASX Listing Rules, Shares are freely transferable.

The Shares may be transferred by a proper transfer effected in accordance with the ASX Settlement Operating Rules, by any other method of transferring or dealing with Shares introduced by ASX and as otherwise permitted by the Corporations Act or by a written instrument of transfer in any usual form or in any other form approved by either the Directors or ASX that is permitted by the Corporations Act.

The Directors may decline to register a transfer of Shares (other than a proper transfer in accordance with the ASX Settlement Operating Rules) where permitted to do so under the ASX Listing Rules. If the Directors decline to register a transfer, the Company must, within 5 business days after the transfer is delivered to the Company, give the party lodging the transfer written notice of the refusal and the reason for the refusal. The Directors must decline to register a transfer of Shares when required by law, by the ASX Listing Rules or by the ASX Settlement Operating Rules.

(e) **Dividends**

The Directors may from time to time determine dividends to be distributed to Shareholders according to their rights and interests. The Directors may fix the time for distribution and the methods of distribution. Subject to the terms of issue of shares, the Company may pay a dividend on one class of shares to the exclusion of another class.

Each Share carries the right to participate in the dividend in the same proportion that the amount for the time being paid on the Share (not credited) bears to the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

(f) **Winding-up**

Subject to the rights of holders of shares with special rights in a winding-up and the Corporations Act, if the Company is wound up all monies and property that are to be distributed among Shareholders on a winding-up,

The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

(g) **Shareholder liability**

As the Shares to be issued on the conversion of the Tranche 1 Notes will be fully paid shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(h) **Alteration of Constitution**

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

5. COMPLIANCE WITH DISCLOSURE OBLIGATIONS

The Company is a “**disclosing entity**” under the Corporations Act and, as such, 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 is obliged to continuously disclose to the market immediately any information which a reasonable person would expect to have a material effect on the price or the 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.

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 2022;
- (b) any half-year financial report lodged by the Company with ASIC after the lodgement of the annual financial report referred to in paragraph (a) and before the lodgement of this Cleansing Notice with ASX; and
- (c) any continuous disclosure notices given by the Company to ASX after the lodgement of the annual financial report referred to in paragraph (a) and before the lodgement of this Cleansing Notice with ASX.

A list of the continuous disclosure notices given by the Company to ASX after lodgement of the annual financial report referred to in paragraph (a) above and before the lodgement of this Cleansing Notice with ASX is set out in the table below.

Date	Announcement
10/08/2023	Update – Proposed issue of securities - CMX
10/08/2023	Update – Proposed issue of securities - CMX
10/08/2023	Update – Proposed issue of securities - CMX
04/08/2023	Proposed issue of securities - CMX
04/08/2023	Proposed issue of securities - CMX
04/08/2023	Proposed issue of securities - CMX
04/08/2023	Proposed issue of securities - CMX
04/08/2023	ChemX Secures Strategic Funding & New CEO
02/08/2023	Trading Halt
31/07/2023	Appendix 5B
31/07/2023	Quarterly Activities Report
15/06/2023	ChemX USA Roadshow Presentation
5/06/2023	ChemX Approves Construction of Resized HPA Pilot Plant
9/05/2023	Highest Grade Thick Intercepts of Manganese
4/05/2023	ChemX Investor Presentation
27/04/2023	More Significant Manganese Assays
24/04/2023	Quarterly Activities Report
24/04/2023	Quarterly Appendix 5B Cash Flow Report
17/04/2023	Significant Manganese Assays
30/03/2023	ChemX signs MoU with lithium-ion battery leader C4V
24/03/2023	Change of Company Secretary
8/03/2023	Half Yearly Report and Accounts
8/03/2023	Manganese Drilling Campaign Completed
10/02/2023	Notification regarding unquoted securities - CMX
10/02/2023	Initial Director's Interest Notice - TBB
10/02/2023	ChemX Appoints Tara Berrie as Non-Executive Director
10/02/2023	Proposed issue of securities - CMX
6/02/2023	Final Director's Interest Notice
6/02/2023	Notification of cessation of securities - CMX
6/02/2023	Board and Management Changes
30/01/2023	Quarterly Activities Report
30/01/2023	Appendix 5B Cash Flow Report
16/01/2023	Battery Grade Manganese Exploration Commences
4/01/2023	Change in Substantial Holding - CMX
3/01/2023	Application for quotation of securities - CMX

Date	Announcement
22/12/2022	Notice of Release of Escrowed Securities
16/12/2022	Battery Grade Manganese Exploration & Development Update
2/12/2022	Notification regarding unquoted securities - CMX
2/12/2022	Notification of cessation of securities - CMX
22/11/2022	Change of Director's Interest Notice- APV
22/11/2022	Change of Director's Interest Notice - WNH
22/11/2022	Change of Director's Interest Notice - KPY
18/11/2022	Notification regarding unquoted securities - CMX
18/11/2022	Proposed issue of securities - CMX
11/11/2022	AGM - Results
11/11/2022	AGM - MD's Presentation
11/11/2022	AGM - Chair's Address
9/11/2022	Integrated HPA Facility in Perth Commissioned
27/10/2022	Final Director's Interest Notice
27/10/2022	ChemX Board & Management Changes
26/10/2022	Quarterly Activities Report
26/10/2022	Appendix 5B Cash Flow Report
21/10/2022	CMX - Addendum to Notice of Annual General Meeting
20/10/2022	ChemX - Couth-West Connect ASX Showcase
19/10/2022	Initial Director's Interest Notice - APV
19/10/2022	ChemX Appoints Alwyn Vorster as Non-Executive Director
10/10/2022	CMX - Notice of AGM and Proxy Form
7/10/2022	ChemX Drill Results Confirm Significant Kaolin Prospect
6/10/2022	Notification regarding unquoted securities - CMX
3/10/2022	CMX Signs MOU with PBT & Appoints GM Battery Tech

6. INFORMATION EXCLUDED FROM CONTINUOUS DISCLOSURE NOTICES

As at the date of this Cleansing Notice, the Company advises that it has fully complied with its disclosure obligations under the ASX Listing Rules and the Corporations Act, and, in particular, 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:

- (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 Tranche 1 Notes and the Shares.

-ENDS-

This announcement has been authorised for release by the Board.

For enquiries:

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Directors

Warrick Hazeldine - *Non-Executive Chair*

Alwyn Vorster - *Non-Executive Director*

Tara Berrie - *Non-Executive Director (US Based)*

Stephen Strubel - *Executive Director & Company Secretary*

About ChemX Materials (ASX: CMX)

ChemX is an advanced materials company focused on providing high purity critical materials for the battery industry. The Company's vision is to become a leading supplier of sustainable and ethically sourced critical materials to support the global energy transition.

ChemX is applying its high purity expertise to advance its Manganese project located on the Eyre Peninsula in South Australia. Metallurgical test work has indicated the manganese ore is amenable to upgrade through beneficiation and being processed into a high purity manganese sulphate to supply the Lithium-ion battery industry.

Developed in-house, ChemX's HiPurA® Process is capable of producing high purity alumina (HPA) and high purity aluminium cathode precursor salts for lithium-ion batteries. Initial test work has indicated that the process is low cost and low in energy consumption, compared to alternative methods. A key competitive advantage is that the HiPurA® process modular, scalable and is not tied to mine production, with the feedstock being a widely available chemical.



Figure 1 – ChemX Project Locations

www.chemxmaterials.com.au

[LinkedIn](#)

SCHEDULE 1 – TERMS AND CONDITIONS OF TRANCHE 1 NOTES

Terms and conditions of Tranche 1 Notes	
Number of Tranche 1 Notes	600,000 Tranche 1 Notes.
Subscription Price	\$0.833 per Tranche 1 Note for an aggregate subscription amount of \$500,000.
Face Value	Each Tranche 1 Note will have a face value of \$1.00 for an aggregate face value of \$600,000.
Maturity Date	15 months from the date of issue of the Tranche 1 Notes.
Interest Rate	Upon an event of default occurring, the Company must pay interest at a rate of 18% per annum on the amount of the face value of all Tranche 1 Notes issued which have not been converted or repurchased, calculated daily and compounded monthly.
Conversion of Tranche 1 Notes	<p>Mercer may (at its absolute discretion) convert the Tranche 1 Notes (in a minimum parcel with a face value of at least \$25,000) at any time prior to the date which is 15 months from their date of issue, by giving the Company a conversion notice. The conversion will occur within three business days of receipt of the notice.</p> <p>The number of Shares to which the Noteholder is entitled upon conversion of the Tranche 1 Notes is determined by the following formula:</p> $\text{Number of Shares} = \text{FV} / \text{CP}$ <p>Where:</p> <p>FV means the aggregate face value of the Tranche 1 Notes being converted.</p> <p>CP means the applicable conversion price per Tranche 1 Note. The applicable conversion price is set out below.</p> <p>Upon conversion of the Tranche 1 Notes:</p> <ul style="list-style-type: none"> (a) those Tranche 1 Notes are cancelled and may not be reissued; and (b) the face value of the Tranche 1 Notes which have been converted will be deemed satisfied.
Conversion by the Company	The Company has no right to require the Noteholder to convert any Tranche 1 Notes at any time.
Conversion Price	<p>In respect of the Tranche 1 Notes, the conversion price will be the higher of:</p> <ul style="list-style-type: none"> (a) \$0.06; and (b) the lesser of: <ul style="list-style-type: none"> (i) 100% of the lowest daily volume weighted average price (VWAP) of the Shares over the 10 trading days on which the Shares traded prior to the completion of the issue of the Tranche 1 Notes; and (ii) 90% of the lowest VWAP during the preceding twenty (20) trading days on which Shares were traded on the ASX immediately prior to the relevant conversion notice.

Terms and conditions of Tranche 1 Notes

Repurchase

Provided that the Company is:

- (a) in compliance with its obligations under the Convertible Securities Agreement;
- (b) there is no existing event of default; and
- (c) the Noteholder has not issued a conversion notice,

the Company may (by written notice to the Noteholder) elect to repurchase all of the outstanding Tranche 1 Notes on issue at any time, for a 5% premium to the face value, provided such repurchase is permitted by law and the ASX Listing Rules.

Where the Noteholder receives a written notice from the Company with respect to the repurchase of Tranche 1 Notes, the Noteholder may elect to convert up to 100% of the Tranche 1 Notes the subject of such notice.

Redemption

If the Noteholder has not notified the Company in writing by the day that is 10 business days prior to the Maturity Date that it will be converting the relevant Tranche 1 Notes (in whole or in part), the Company is to pay in full to the holder of the Tranche 1 Notes, the face value of the Tranche 1 Notes (and any accrued but unpaid interest).

If an event of default is subsisting after the Company has notice from the Noteholder requiring repayment, the Company must repay the face value of the outstanding Tranche 1 Notes held by the Noteholder together with any accrued but unpaid interest. The Convertible Securities Agreement contains various events which constitute events of default which are standard for agreements of this nature.

If there occurs a Change of Control Even, a Qualifying Capital, Raising Event or a Delisting Event, the Noteholder may require repayment by the Company of some or all of the Tranche 1 Notes.

In this Cleansing Notice:

Change of Control Event means each of:

- (a) a takeover bid being made to acquire all of the Company's shares and:
 - (i) the offer under the takeover bid is, or becomes, unconditional; and
 - (ii) either:
 - (A) the bidder has acquired at any time during the offer period (or after the close of the offer period) a relevant interest in more than 50 per cent of the Shares on issue; or
 - (B) the directors of the Company recommend acceptance of the offer under the takeover bid;
- (b) a court approves a proposed scheme of arrangement which, when implemented, will result in a person having a relevant interest in 100% of the Shares on issue in the Company (where the requisite shareholder approval has also been obtained),

Delisting Event means where the Shares are no longer quoted on ASX, the Shares are suspended from trading on ASX for a period of 20 consecutive business days, or in any case, other than as a result (directly or indirectly) of a Change of Control Event.

Qualifying Capital Raising Event means capital raises under which the Company raises in aggregate \$5m or more during the term of the Convertible Securities Agreement.

Ranking on Conversion

Shares issued on conversion of the Tranche 1 Notes will rank equally with existing Shares on issue.

Reconstruction of Capital

In the event of a consolidation, subdivision or similar reconstruction of the issued capital of the Company, the terms of the Tranche 1 Notes will be reconstructed to the extent necessary to comply with the ASX Listing Rules.

Terms and conditions of Tranche 1 Notes**Participation Rights**

The Tranche 1 Notes will not carry any entitlement to participate in future issues of securities by the Company prior to any conversion of the Tranche 1 Notes into Shares.

No Voting Rights

Except as required by the Corporations Act, the Tranche 1 Notes will not carry a right to vote at meetings of the Company prior to any conversion of the Tranche 1 Notes into Shares.