

13 November 2024

Cleansing Notice – Issue of Convertible Notes

This cleansing notice (**Cleansing Notice**) is given by Peppermint Innovation Limited (**ASX:PIL**) (ACN 125 931 964) (**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 have been 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

As announced on 5 November 2024, the Company has entered into a convertible securities and placement agreement (**Convertible Securities Agreement**) and secured commitments for up to A\$3,000,000 through the issuance of convertible notes (**Convertible Notes**) to Obsidian Global GP LLC (**Obsidian**) comprising an initial tranche of A\$750,000 plus any subsequent drawdowns as agreed between the Company and Obsidian.

In accordance with the Convertible Securities Agreement, the first tranche of A\$750,000 is to be provided to the Company in exchange for the issue of 503,356 Convertible Notes (each with a face value of US\$1.15) (**Tranche 1 Notes**).

Subject to satisfaction of conditions precedent (including shareholder approval and mutual agreement), the Company may drawdown up to an additional A\$2,250,000 in exchange for the issue of up to an additional A\$2,250,000 worth of convertible notes (each with a face value of US\$1.15) (**Subsequent Notes**).

In addition, the Company has issued 37,500,000 Shares to Obsidian in consideration for entering into the Convertible Securities Agreement (**Placement Shares**). The Placement Shares are intended to be used to offset any future Shares issued to Obsidian at its discretion.

The Tranche 1 Notes and Placement Shares were issued utilising the Company's available placement capacity under ASX Listing Rule 7.1.

For further information in relation to the Convertible Securities Agreement, please refer to the Company's announcement dated 5 November 2024.



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**).

This Cleansing Notice is in respect of the Tranche 1 Notes only. Any additional issues of Subsequent Notes (if any) will be cleansed under separate cleansing notices or cleansing prospectuses.

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
- (c) 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 to:

- (a) increase the Company's cash reserves by A\$750,000 (before costs associated with the Tranche 1 Notes);
- (b) an increase of the number of unquoted convertible notes on issue from nil to 503,356;
- (c) the Company having an unsecured liability for the aggregate face value of the Tranche 1 Notes (being US\$578,859.40); and
- (d) if the Tranche 1 Notes are converted, either wholly or in part to Shares, increase the number of Shares on issue as a consequence of the issue of Shares on such conversion. The aggregate maximum number of Shares that the Company may or is required to issue as the Placement



Shares, or on one or more conversion or redemptions (to the extent these result in an issue of Shares) of the Tranche 1 Notes issued pursuant to the Convertible Securities Agreement, without first obtaining Shareholder approval, is 230,677,025 (**Maximum Share Number**), being a maximum increase in the number of Shares on issue from 2,121,358,336 to 2,352,035,361.

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 30 June 2024 audited accounts.

The Pro-forma Accounts shows the effect of the issue of the Tranche 1 Notes as if they had been issued on 30 June 2024, and no other transactions, in addition to the issue of the Tranche 1 Notes, have occurred. In particular the Pro-Forma Accounts do not show the effect of the issue of any subsequent issue of Convertible Notes.

The accounting policies adopted in the preparation of the Pro-forma Accounts are the same as those used in the preparation of the 30 June 2024 audited accounts. The historical and Pro-forma Accounts are presented in an abbreviated form, insofar as they do not include all of the disclosures required by Australian Accounting Standards applicable to annual 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 30 June 2024. The Company advises that the Pro-forma Accounts is not the current financial position of the Company as at the date of this Cleansing 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 30 June 2024, if these securities were issued on that date, taking into account funds of A\$750,000 received (before costs) on the issue of the Tranche 1 Notes to Obsidian and the conversion of the Tranche 1 Notes to shares.

Consolidated Statement of Financial Position	Audited 30-Jun-24 (\$)	Effect of Issue of Convertible Notes (\$)	Costs of Issue of Convertible Notes (\$)	Pro-forma 30-Jun-24 (\$)
Assets				
Current Assets				
Cash and Cash Equivalents	1,225,840	750,000	(15,000)	1,960,840
Trade and Other Receivables	350,221	-	-	350,221
Other Assets	12,169	-	225,000	237,169
Total Current Assets	1,588,230	750,000	210,000	2,548,230
Non Current Assets				
Property, plant and equipment	7,200	-	-	7,200



Consolidated Statement of Financial Position	Audited 30-Jun-24 (\$)	Effect of Issue of Convertible Notes (\$)	Costs of Issue of Convertible Notes (\$)	Pro-forma 30-Jun-24 (\$)
Total Non Current Assets	7,200	-	-	2,555,430
Total Assets	1,595,430	750,000	210,000	2,555,430
Liabilities				
Current Liabilities				
Trade and Other Payables	745,385	-	-	745,385
Provisions	397,066	-	-	397,066
Total Current Liabilities	1,142,451	-	-	1,142,451
Non-Current Liabilities				
Borrowings ¹	-	883,081	-	883,081
Total Non-Current Liabilities	-	883,081	-	883,081
Total Liabilities	1,142,451	883,081	-	2,025,532
Net Assets	452,979	(133,081)	210,000	529,898
Equity				
Issued Capital	26,481,047	-	225,000	26,706,047
Reserves	1,233,336	-	-	1,233,336
Accumulated Losses	(27,261,404)	-	(148,081)	(27,409,485)
Total Equity	452,979	-	76,919	529,898

Note:

1. Assumes an AUD:USD exchange rate of A\$1:US\$0.6555.

3.3 Potential effect on capital structure

- (a) As at the date of this Cleansing Notice, the total number of issued Shares is 2,121,358,336.
- (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) prior to the date that is 36 months from the issue of the Tranche 1 Notes (**Maturity Date**) converted into Shares in whole or in part at the Noteholder's election at:
- (A) the fixed price of A\$0.012 (**Fixed Price**); or



- (B) after 3 January 2025 (being 60 days from the Execution Date), if the 20-trading day VWAP is below the Fixed Price, the Noteholder may convert at a conversion price equal to a 10% discount from the lowest 3 daily VWAPs in the 15 trading days prior to conversion, rounded down to the lowest A\$0.001 (**Variable Price**), provided that the Variable Price is not less than \$0.0035 (**Floor Price**) and where the calculation would result in a Variable Price less than the Floor Price, the Variable Price will be the Floor Price;
- (ii) at any time, should the Company issue shares at a price less than the Fixed Price or any security convertible into shares at a price less than the Fixed Price then the Fixed Price will be reduced to that lesser price;
- (iii) the agreement limits the number of shares that can be issued as the Placement Shares and on conversion of Tranche 1 Notes without shareholder approval to 230,677,025 Shares, which is the Company's current placement capacity under Listing Rule 7.1;
- (iv) redeemed prior to the Maturity Date at the request of the Company;
- (v) redeemed prior to the Maturity Date at the request of Obsidian in the event the Company raises funds from any source (other than from Obsidian); or
- (vi) automatically redeemed on the Maturity Date.
- (d) The effect on the capital structure of the Company upon the issue and 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, before the issue of the Tranche 1 Notes	Nil
Tranche 1 Notes issued under the Convertible Securities Agreement	503,356
Total convertible notes on issue following issue of the Tranche 1 Notes under the Convertible Securities Agreement	503,356

Upon conversion:

Shares	Number
Shares on issue as at the date of this Cleansing Notice, before the issue of the Placement Shares	2,121,358,336
Maximum Share Number that may be issued under the Convertible Securities Agreement ¹	230,677,025



Shares	Number
Total Shares on issue following issue of Maximum Share Number	2,352,035,361

Note:

1. This assumes that the Maximum Share Number is issued on conversion of the Tranche 1 Notes and includes the 37,500,000 Placement Shares issued to Obsidian, which will be used to offset any issue of Shares on conversion of the Tranche 1 Notes. 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 the following securities on issue:

- (i) 105,000,000 unquoted options (exercisable at various prices and expiring on or before various dates); and
- (ii) 23,700,000 performance rights.

There will be no resulting change to the number of options or performance rights on issue upon the issue or conversion of the Tranche 1 Notes.

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 Shareholders.

(a) General meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company. The Company's constitution permits the use of technology at general meetings of shareholders (including wholly virtual meetings) to the extent permitted under the Corporations Act, ASX Listing Rules and applicable law.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the constitution of the Company (**Constitution**).

(b) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:



- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each Share held, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) **Dividend rights**

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the directors of the Company (**Directors**) may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors think fit and which provides for any dividend which the Directors may declare from time to time payable on Shares which are participating Shares in the dividend reinvestment plan, less any amount which the Company shall either pursuant to the Constitution or any law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of Shares.

(d) **Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution, 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.



(e) **Shareholder liability**

As the Shares issued 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.

(f) **Transfer of shares**

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act and the ASX Listing Rules.

(g) **Future increase in capital**

The issue of any new Shares is under the control of the Directors of the Company. Subject to restrictions on the issue or grant of securities contained in the ASX Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors may issue Shares as they shall, in their absolute discretion, determine.

(h) **Variation of rights**

Under section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(i) **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 2024;
- (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 date of lodgement of this Cleansing Notice with ASX is set out in the table below.

Date	Description of Announcement
5 November 2024	Proposed issue of securities – PIL
5 November 2024	Proposed issue of securities – PIL
5 November 2024	PIL puts funding facility in place to build its business
1 November 2024	Trading Halt
31 October 2024	Quarterly Activities/Appendix 4C Cash Flow Report
28 October 2024	Notice of Annual General Meeting/Proxy Form
25 September 2024	MASS-SPECC Tagum Cooperative goes live
3 September 2024	Appendix 4G and Corporate Governance Statement

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-



Authority and Contact Details

This ASX announcement has been approved by Peppermint Innovation Limited's Board of Directors and authorised for release.

For more information, please contact:

Chris Kain

Managing Director & CEO

Peppermint Innovation Limited

E: info@ [pepltd.com.au](mailto:info@pepltd.com.au)

About Peppermint Innovation Limited

Peppermint Innovation is an Australian company focused on the commercialisation and further development of the Peppermint Platform, a mobile banking, payment and remittance, delivery and logistics, ecommerce and finance technology to service the Philippines market – which was initially designed for banks, agents, associations and microfinance institutions. Peppermint currently operates the Peppermint Platform in the Philippines.

Forward Looking Statements: Statements regarding plans with respect to Peppermint's business plans are forward looking statements. There can be no assurance that Peppermint's plans will proceed as expected and there can be no assurance that Peppermint will be able to increase revenue.



Peppermint Innovation Limited ACN 125 931 964 ASX: PIL

Level 2 East, The Wentworth Building, 300 Murray Street, (Off Raine Lane) Perth Western Australia 6000

Phone: +61 8 6255 5504 | Email: info@pepltd.com.au | www.pepltd.com.au

SCHEDULE 1 – TERMS AND CONDITIONS OF TRANCHE 1 NOTES

Issue of Convertible Notes	The Company may create and issue convertible notes convertible into fully paid ordinary shares in the Company (Shares) under the Convertible Securities Agreement (Convertible Notes) and Obsidian agrees to subscribe for the Convertible Notes in accordance with the Convertible Securities Agreement.
Commitment Limit	A\$3,000,000 (Commitment Value).
Face Value	US\$1.15 per Convertible Note (Face Value).
Maturity Date	36 months after each Purchase (defined below) (each, a Maturity Date).
Purchases	<p>On each Purchase Date (set out below) Obsidian must pay the Company the relevant Purchase Price (set out below) and in consideration the Company must issue the relevant number of Convertible Notes, on the following Purchases:</p> <p>(a) First Purchase: A\$750,000, within 5 business days after the execution date of the Convertible Securities Agreement (Execution Date); and</p> <p>(b) Subsequent Purchases: such amount as Obsidian and the Company may agree in respect of the relevant subsequent purchase, provided that:</p> <p>(i) if the Company requests the top-up purchase within five business days of the Company holding its 2024 annual general meeting, the purchase must be for A\$250,000 (Top-up Purchase); and</p> <p>(ii) the aggregate Purchase Price under all Purchases cannot exceed the Commitment Limit,</p> <p>at such time as agreed between the Company and Obsidian.</p> <p>The Company will issue the number of Convertible Notes that is equivalent to the actual amount paid in US\$ by Obsidian. The number of Convertible Notes that may be issued may change depending on the prevailing AUD:USD exchange rate at the time that the Convertible Notes are issued under the Convertible Securities Agreement.</p>
Number of Tranche 1 Notes	The Company has issued 503,356 Tranche 1 Notes to Obsidian under the First Purchase.
Placement Shares	<p>(a) In consideration for Obsidian entering into the Convertible Securities Agreement, the Company issued 37,500,000 Shares (Placement Shares) to Obsidian.</p> <p>(b) If Obsidian converts the Convertible Notes into Shares (Conversion Shares), Obsidian may in its sole discretion apply the Placement Shares to offset the new Shares that would be required to be issued on such conversion.</p> <p>(c) If any Placement Shares remain outstanding following full repayment of the Convertible Notes and termination of the Convertible Securities Agreement, Obsidian must either (at its election):</p> <p>(i) pay the Company an amount per Placement Share equal to 90% of the average of the lowest 3 daily volume weighted average prices on ASX and Cboe (VWAPs) during the 15 trading days immediately prior to the date upon which</p>



	<p>Obsidian makes the payment, rounded down to the lowest \$0.001;</p> <p>(ii) sell the Placement Shares on market and pay the Company 95% of the net sale proceeds to the Company; or</p> <p>(iii) transfer the Placement Shares to the Company's nominee for no consideration.</p>
Conditions to First Purchase	<p>Obsidian has no obligation in respect of the First Purchase unless and until the following conditions are satisfied:</p> <p>(a) the Company has delivered to Obsidian:</p> <p>(i) a duly passed board resolution entering into the Convertible Securities Agreement;</p> <p>(ii) a certificate executed by the Company's CEO, managing director or chairman; and</p> <p>(iii) an executed purchase statement;</p> <p>(b) all of:</p> <p>(i) the Company has announced the Company's entry into the Convertible Securities Agreement on ASX which contains a statement that based on legal advice from a suitably qualified and experienced lawyer, that the Company confirms that the terms of the Convertible Securities Agreement are market standard and that none of the features noted in section 5.9 of ASX Guidance Notice 21 are present; and</p> <p>(ii) ASX has not advised the Company that it considers the terms of Obsidian's securities are not both appropriate and equitable for the purposes of Listing Rule 6.1; and</p> <p>(c) the Company has issued the Placement Shares to Obsidian.</p>
Conditions to Subsequent Purchases	<p>Obsidian has no obligation in respect of the Subsequent Purchases unless and until the following conditions are satisfied:</p> <p>(a) the Company has obtained shareholder approval to the issue of the Convertible Securities to be issued at the Subsequent Purchase which remains valid at the time of the Subsequent Purchase;</p> <p>(b) other than in the case of the Top-up Purchase, the Company and Obsidian have agreed the Purchase Price and Purchase Date in respect of the Subsequent Purchase; and</p> <p>(c) the Purchase Price, when aggregated with all Purchase Prices from prior Purchases, will not exceed the Commitment Limit.</p> <p>In the case of the Top-up Purchase, the Company has given written notice to Obsidian requesting the Top-up Purchase within 5 business days of the Company holding its 2024 annual general meeting.</p>
Interest	<p>No interest is payable on the Convertible Notes except if an event of default occurs, interest will be payable on the Amount Outstanding and any other amounts payable under the Convertible Securities Agreement, at a rate of 15% per annum accruing daily and compounded monthly.</p>
Conversion Prices	<p>Obsidian can convert one or more Convertible Notes on issue to them at any time at:</p> <p>(a) Fixed Conversion Price: A\$0.012; or</p>



	<p>(b) Variable Conversion Price: the lesser of:</p> <p>(i) 90% of the average of the lowest 3-daily VWAP during the 15 Actual Trading Days prior to the Conversion Notice Date rounded down to the lowest A\$0.001; and</p> <p>(ii) the Fixed Conversion Price,</p> <p>provided that the Variable Conversion Price can never be less than \$0.0035 (Floor Price) in any event, and in the event that the Variable Conversion Price as calculated would be less than the Floor Price, the Variable Conversion Price will be the Floor Price.</p> <p>If any conversion takes place at the Variable Conversion Price and the Variable Conversion Price without regard to the Floor Price is lower than the Floor Price, then at the time of the issue of the Conversion Shares, the Company must either reduce the number of Placement Shares or make a payment to Obsidian in accordance with the prescribed formulas.</p> <p>At any time, should the Company issue Shares at a price less than the Fixed Conversion Price or any security convertible into Shares at a price less than the Fixed Conversion Price then the Fixed Conversion Price will be reduced to that lesser price.</p>
<p>Limitations on Conversions at Variable Conversion Price</p>	<p>Obsidian may only give conversion notices specifying that a conversion is to occur at the Variable Conversion Price when all of the following are satisfied:</p> <p>(a) the conversion notice date is after the day which is 60 days after the Execution Date (or such other date agreed in writing); and</p> <p>(b) where any 20-day VWAP during the period commencing on the Execution Date and ending on the relevant conversion notice date, is less than the Fixed Conversion Price.</p> <p>Obsidian may not give a conversion notice where the number of Conversion Shares would exceed 4.99% of the number of Shares on issue.</p> <p>The above restrictions will cease to apply if an event of default under the Convertible Securities Agreement occurs.</p>
<p>Redemption Amount</p>	<p>105% of the amount outstanding (being the Face Value plus any other amounts payable by the Company to Obsidian) in respect of the Convertible Notes (Redemption Amount).</p>
<p>Early Redemption on raise</p>	<p>Obsidian may at any time, subsequent to the date of the execution of the Convertible Securities Agreement, provide written notice to the Company:</p> <p>(a) where the Company raises funds in aggregate of less than \$2,500,000 from any source (other than from Obsidian), require the Company to apply up 20% of the proceeds of the funds raised (from the first \$2,500,000 raised); and</p> <p>(b) where the Company raises funds in aggregate of more than \$2,500,000 from any source (other than from Obsidian), require the Company to apply up 35% of the proceeds of the funds raised (from the funds raised in excess of \$2,500,000),</p> <p>to the redemption of outstanding Convertible Notes at the Redemption Amount.</p>
<p>Early Redemption by Company</p>	<p>The Company may, at any time prior to the Maturity Date, redeem some or all of the Convertible Notes at any time by giving notice to Obsidian and paying the Redemption Amount.</p>



Redemption on Maturity	On each Maturity Date the Company must redeem all outstanding Convertible Notes that mature on that Maturity Date by paying Obsidian the Redemption Amount in respect of the relevant Convertible Notes.
Maximum Number of Shares issued under First Purchase	The aggregate maximum number of new securities that the Company may or is required to issue as the Placement Shares, or on one or more conversions or redemptions of Convertible Notes issued at the First Purchase without the Company first obtaining shareholder approval for the relevant issue of Shares is 230,677,025 Shares (Maximum Share Number).
Share Restrictions	<p>(a) No Conversion Shares or Placement Shares will be issued if it would result in Obsidian or any person holding a relevant interest in more than 19.99% of the Shares on issue. In this case, the Company must not issue the Shares to Obsidian but must instead repay to Obsidian the relevant Amount Outstanding.</p> <p>(b) If Obsidian sells any Conversion Shares or Placement Shares, Obsidian must not sell Shares on any trading day in excess of the greater of:</p> <p>(i) 20% of the daily trading volume on that trading day on ASX and Chi-X (as reported by IRESS); and</p> <p>(ii) A\$20,000,</p> <p>which will cease to apply in an event of default under the Convertible Securities Agreement.</p>
Events of default	<p>Events of default include the following:</p> <p>(a) failure to pay an amount owed to Obsidian;</p> <p>(b) a material breach or failure to comply with any material obligation under the transaction documents (subsisting for 5 business days following notice to rectify such breach or failure);</p> <p>(c) the occurrence of a material adverse effect; or</p> <p>(d) the occurrence of a change of control in respect of the Company.</p>
Termination	<p>The Convertible Securities Agreement may be terminated by agreement of the Parties at any time and otherwise:</p> <p>(a) by either party by notice to the other, effective immediately, if the First Purchase has not occurred within three business days of the Purchase Date or such later date as the parties agree in writing, however this right is not available to any party that is in material breach of or default under the Convertible Securities Agreement; or</p> <p>(b) by Obsidian in the case of an unremedied default or change of law.</p>
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 Fixed Conversion Price will be reduced or, as the case may be, increased, in the same proportion as the issued capital of the Company is, as the case may be, consolidated, subdivided or cancelled.
No Voting Rights	Except as required by law, the Tranche 1 Notes will not carry any right to attend or vote at general meetings of the Company.

