

23 September 2019

ASX ANNOUNCEMENT

ZERO COUPON AMORTISING SECURITIES PURCHASE AGREEMENT

engage:BDR Limited (“EN1” or “the Company”) (ASX: EN1 and EN1O) is pleased to announce entry into an agreement (“the Agreement”) with Alto Opportunity Master Fund SPC – Segregated Master Portfolio B (“the Investor”) for the issue of zero coupon convertible amortising securities (“ZCSs”).

The Agreement is structured as an initial drawdown (tranche) with the potential for a further 7 drawdowns. If the conditions for all 7 subsequent tranches to be drawn down are satisfied (including the Investor agreeing to proceed with the individual tranches – see further below), the total potential face value amount would be US\$30.9 million and the aggregate issue price before costs would be approximately US\$26.25 million assuming the initial drawdown is US\$1,750,000.

Key Terms:

Initial tranche / drawdown:	<p>Face Value: US\$2,060,000.</p> <p>Issue Price: US\$1,750,000 (unless the average of the daily market capitalization at the closing price for each day in the 30 trading days before the issue of the ZCS is less than US\$11.667 million, at the Reserve Bank of Australia exchange rate for the day immediately prior to the issue, in which case the issue price will be 15% of that average daily market capitalization).</p> <ul style="list-style-type: none"> - As at the close of trading on 18 September 2019 (the last trading day before this announcement) the above average daily market capitalization at the exchange rate for that date (A\$1=US\$0.6849) was US\$11,639,634. - See further below about completion of the initial drawdown being subject to conditions. - A further announcement will be made when the drawdown occurs.
Up to 7 potential subsequent tranches / drawdowns:	<p>Face value: US\$4,120,000.</p> <p>Issue Price: US\$3,500,000 (or such other amounts as the Company and the Investor may agree on a tranche by tranche basis).</p>

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	<ul style="list-style-type: none"> - See further below about further drawdowns being conditional, including the Investor agreeing to proceed with a particular tranche. - Further announcements will be made if subsequent drawdowns occur.
Additional shares and options:	<p>Under the Agreement, the Company will also issue to the Investor:</p> <ul style="list-style-type: none"> - 13,750,000 unlisted options with an exercise price of exercise price of each Option is equal to 110% of the closing bid price of EN1 shares on the last trading day immediately prior to the issue date of the options, rounded down to three decimal places, and with an expiry date which is the last day of the calendar month which is three years after the date of issue; and - 28.5 million fully paid ordinary shares (“Collateral Shares”) which may be used by the Investor to offset conversion or amortisation of the ZCSs. <p>The options and Collateral Shares will be issued under the Company’s existing capacity without requiring shareholder approval.</p> <p>Further information about the options and Collateral Shares is provided below.</p>
Maturity Date:	Each tranche of ZCSs matures on the date that is the last ASX trading day in the 14th calendar month after the date of issue of the tranche (Maturity Date). For Tranche 1 the Maturity Date is anticipated to be 30 November 2020.
Security:	The ZCSs will be secured by a general security interest over the assets and undertaking of the Company, and a guarantee by its wholly owned US subsidiary.
Interest rate:	As “zero coupon” securities, no interest is payable on the ZCSs, unless a default event occurs.
Purpose of issue:	<p>General corporate and working capital purposes, including:</p> <ul style="list-style-type: none"> - advancing deployment of the Company’s NetZero publisher payments product (a payment solution that aims to save publishers on finance costs they currently pay to invoice factoring partners) with the objective of attracting new publishers and their buyers as clients; - repaying a bridge loan recently issued by the Investor; and - general working capital.

Redemption:	<p>If redeemed by the Company at the maturity date for a tranche of ZCSs, 103% of the aggregate face value of the applicable tranche of ZCSs then outstanding (plus any then outstanding costs or other amounts).</p> <p>If redeemed by the Company prior to the maturity date for a tranche of ZCSs, 107.5% of the aggregate face value of the applicable tranche of ZCSs outstanding as at the date of redemption (plus any then outstanding costs or other amounts).</p>
Conversion:	<p>The ZCSs are convertible at the election of the Investor at the rate of one fully paid ordinary share (each a Conversion Share) for every A\$0.35 (35 cents) of the face value converted, at the US\$/A\$ exchange rate published by the Reserve Bank of Australia on the day before the conversion.*</p> <ul style="list-style-type: none"> - If the Investor elects to convert the initial ZCS, the issue of Conversion Shares will be within the Company's existing capacity to issue shares without requiring shareholder approval.
Amortisation:	<p>The face value of the ZCSs will be amortised by 12 monthly instalments commencing 60 days after the issue date.</p> <ul style="list-style-type: none"> - Amortisation instalments paid in cash are payable at 103% of 1/12th of the face value (plus any then outstanding costs or other amounts). - If the Company wishes to satisfy an amortisation instalment by issuing shares instead of paying cash, its ability to do so will be subject to having obtained shareholder approval in anticipation of the issue of amortisation shares, unless the Company's existing capacity to issue the amortisation shares without requiring further shareholder approval is sufficient to enable the issue of the amortisation shares. <ul style="list-style-type: none"> o Presently the Company would have sufficient capacity to issue shares to satisfy one amortisation instalment by issuing shares, based on recent share prices. - The number of shares to be issued is calculated as the lower of the 35 cent conversion price or 85% of either the average of the two lowest daily volume weighted average prices ("VWAPs") (in Australian dollars, to three decimal places provided that if the resultant number contains four or more decimal places, such number shall be rounded down to the next lowest number containing three decimal places) in the 20 trading days before the instalment payment is due or the daily VWAP on the last trading day before the instalment payment is due.

	<ul style="list-style-type: none"> - The process for satisfying an instalment by issuing shares includes satisfying conditions including that the Company's securities are tradable, minimum volume and price requirements, the Investor being satisfied with documents to be provided by the Company and that no provision of the Agreement has been breached, and all representations and warranties by the Company remaining true. <ul style="list-style-type: none"> o The process involves two steps: an initial issue based on an estimate of the number of shares required to be issued, and a "true up" adjustment issue if further shares are required to be issued once the result of the instalment pricing is known. - The Investor may, but is not obliged to, treat Collateral Shares as being capitalised to meet some or all of an instalment, with the Company then issuing replacement Collateral Shares to reinstate the Investor's holding of Collateral Shares to the applicable level. - The Investor may accelerate amortisation by share issues by increasing the amount of the instalment and the consequential number of shares to be issued, if an instalment is being satisfied by issuing shares. The Investor may also choose to defer some or all of an amortisation payment until a later date, in which case the amortisation instalment will be due at the later date in addition to the instalment due at that time. - If the Company chooses to pay amortisation instalments by issuing shares but is unable to issue some or all of the shares, the instalment (or applicable part) is payable in cash at 110% of the face value amortised. - The Company will announce to ASX when an instalment is satisfied by issuing shares or the capitalisation of Collateral Shares, and provide details of the issue or capitalisation at that time.
Collateral Shares:	<p>The Collateral Shares will be maintained at approximately 4.9% of the total then issued shares of the Company by being replenished if the number of Collateral Shares falls below 2.5% of the total then issued shares of the Company. The balance, if any, of Collateral Shares remaining at the maturity date of the last of the ZCSs will either be purchased by the Investor at the lower of the conversion price (A\$0.35 (35 cents), subject to adjustments for issues of shares, options or other securities to third parties as referred to below) or 85% of the average of the two lowest daily VWAPs per share during the 20 ASX trading</p>

	days prior to the date on which payment is made by the Investor, or subject to compliance with the Corporations Act including obtaining any necessary shareholder approvals will be bought back by the Company for an aggregate total of A\$1.
Investor's holding limit:	Unless otherwise agreed by the Investor, the Investor will not be required to accept shares if the Investor's shares would exceed 4.99% of the then issued shares of the Company. Issues of shares to the Investor may be postponed (in full or in part) until total number of shares would be below 4.99% or the Investor agrees to receive the despite exceeding 4.99%.
Defaults:	A summary of the events of default which would entitle the Investor to terminate the Agreement are set out in the following pages. Upon the occurrence of an event of default the Investor may require payment of 125% of the then outstanding face value ZCSs. The Investor is also entitled to payment of its losses, default interest and costs.
Changes of Control or Fundamental Transactions:	<p>The Investor may require redemption of the then outstanding ZCSs at 125% of the face value if there a Fundamental Transaction (as that term is defined in paragraph 17(b) of the attached Option terms), other than:</p> <ul style="list-style-type: none"> - any reorganisation or recapitalisation of shares in which holders of the Company's voting power immediately prior to such reorganisation or recapitalisation continue after such reorganisation or recapitalisation to hold publicly traded securities and, directly or indirectly, the voting power of the surviving entity or entities necessary to elect a majority of the members of the board of directors (or their equivalent if other than a corporation) of such entity or entities; or - resulting from an issuance of securities by the Company pursuant to the Transaction Documents; or - resulting from one or more bona fide transactions the primary purpose of which is to raise capital, provided that no Subject Entity (as that term is defined in paragraph 17(b) of the attached Option terms) which is party to such bona fide transaction acquires either: <ul style="list-style-type: none"> o 50% or more of the outstanding Shares; or o a relevant interest (as defined in Chapter 6 of the Corporation Act) in 50% or more of the Shares; <p>The Company must not enter into or be party to a Fundamental Transaction unless the Successor Entity (as that term is defined in paragraph 17(b) of the attached Option terms) assumes in writing all of the obligations of the Company under the Agreement</p>

	and the Transaction Documents, and agrees to deliver to the Investor in exchange for the ZCSs then on issue a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to the Agreement and the Transaction Documents including, without limitation, having a face value equal to the face value of the ZCSs then on issue and having similar conversion rights, dividend rights and ranking to the ZCSs.
Participation right:	For three years after the issue of the first tranche of ZCSs, the Investor shall have the right (but not the obligation) to participate in any financing transaction (such as an equity or debt raising, or fundraising by way of a convertible instrument or other fundraising, excluding pro-rata offers to shareholders) undertaken or proposed to be undertaken by the Company, on terms no less favourable to the Investor than the terms offered to third parties, for up to 50% of the applicable proposed financing.
Arranger's fee:	The company will pay Viriathus Capital or its nominee 4% of the face value of ZCSs issued and 4% of any other amount received under the Agreement (including the exercise price of the options, if exercised).

- * If an event of default occurs, the conversion price will become the lower of A\$0.35 or 80% of the average of the two lowest daily VWAPs per share (in Australian dollars, to three decimal places, rounded down) during the twenty (20) consecutive trading days immediately prior to the date of conversion. See further below about events of default. If the Company issues shares to a third party at a price (or equivalent consideration) less than the conversion price applying at time (other than upon exercise of currently existing options or conversion of currently existing convertible notes), the conversion price will be reset to the price (or equivalent consideration) of the third party issue. The conversion price will also be reduced to take into account the difference between the then applicable conversion price and the value of options or other convertible securities or rights to shares if issued by the Company.

Issues of tranches of ZCSs subsequent to the first tranche will be subject to detailed conditions and requirements, and will only proceed if the Company decides to request the issue of a specific subsequent tranche of ZCSs, the Investor at its discretion agrees to subscribe for the specific subsequent tranche, and the detailed conditions and requirements are satisfied (or waived by the Investor). The conditions and requirements include minimum share prices and volumes in periods up to and including the relevant issue or conversion dates, limits on holdings by the Investor and its associates not being exceeded, face value to market capitalisation and other ratios, the Company having sufficient then existing capacity (or obtaining shareholder approvals) to issue the applicable ZCSs or shares, compliance with regulatory requirements, providing certifications and evidence of satisfaction of requirements, any necessary changes to the Company's constitution having been made, the Company not being in breach of the

Agreement (or any breach having been remedied to the satisfaction of, or waived by, the Investor), representations and warranties by the Company remaining correct, cleansing statements or prospectuses or other disclosure documents having been (or being undertaken to be) lodged within applicable time limits, and other commercial, legal and procedural requirements having been met.

Similar requirements apply to issuing conversion shares, the Company seeking to pay amortisation instalments by issuing shares, capitalisation of Collateral Shares in lieu of issuing conversion shares or shares to pay amortisation instalments, and issuing further or replacement Collateral Shares.

Details of the conditions for issuing subsequent tranches of ZCSs, issuing conversion shares, seeking to pay amortisation instalments using shares, capitalisation of Collateral Shares in lieu of issuing shares as conversion shares or to pay amortisation instalments, and for issuing further or replacement Collateral Shares will be included in the cleansing statement for the issue of the initial tranche of ZCSs.

The Company will only request the Investor to subscribe for subsequent tranches of ZCSs or seek to pay amortisation instalments using shares if it is able to satisfy the applicable requirements of the Agreement and either the issue of the relevant ZCSs or shares would not exceed its then capacity to issue securities without requiring shareholder approval, or if it has obtained shareholder approval enabling it to make the issue. This would be decided by the Company at the relevant time having regard to the then applicable circumstances, including but not only the trading prices and volumes of the Company's shares on ASX.

If for any reason the Company cannot issue shares to convert ZCSs or replace Collateral Shares if capitalised instead of new shares being issued, the Company must pay a cash sum in lieu of issuing the shares unable to be issued at the highest daily VWAP during the period between the conversion notice being given by the Investor and the date upon which the conversion shares were due to be issued.

The Agreement contains terms and conditions including warranties and indemnities in favour of the Investor in respect of matters be expected to be addressed in an agreement of this type, and is governed by the laws of Victoria, Australia.

A copy of the terms of the proposed options is also attached.

The Investor, Alto Opportunity Master Fund, SPC - Segregated Master Portfolio B, is a Cayman Islands incorporated fund focusing on credit and equity investments globally in the healthcare, technology and natural resources sectors.

The Company will release a further announcement including an Appendix 3B when the initial tranche of ZCSs, the options and the Collateral Shares are issued. The Company anticipates it will also issue cleansing notices in respect of the initial tranche of ZCSs and Collateral Shares and lodge a prospectus in connection with the issue of the options, copies of which will be released as announcements.

On behalf of the Board:

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Forward Looking Statements

Statements made in this release which are forward-looking statements and are based on the Company's expectations, estimates and projections. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "guidance" and similar expressions are intended to identify forward-looking statements. These words are not the exclusive means of identifying such statements. Any forward-looking statement made by the Company in this announcement is based only on information currently available to the Company and its current intentions (which may change) and speaks only as of the date on which it is made. Forward-looking statements are subject to a range of risks and uncertainties, some of which are beyond the Company's control. Risks and uncertainties can include matters inherent in the business of the Company, its management, its activities generally, and the market in which it operates. As a result, actual results could materially differ from those in the forward-looking statements. The forward-looking statements made in this announcement relate only to events as of the date on which the statements are made. The Company does not undertake any obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances or unanticipated events occurring, or as a result of new information, future developments or otherwise after the date of this release except as required by the listing rules of ASX, by law or by appropriate regulatory authorities.

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Events of default

The following is a summary of the events of default provided for in the Agreement:

- (a) any representations, warranties, covenants, public filing, certificate, financial statements or other written statements being or becoming inaccurate, false or misleading in any material respect
- (b) breach of or failure to comply a Transaction Document and either:
 - (i) the breach or failure is not capable of remedy; or
 - (ii) the breach or failure is capable of remedy, and remains unremedied for a period of 3 business days;
- (c) unless otherwise agreed to by the Investor, the Company does not maintain an unrestricted cash deposit of at least US\$700,000;
- (d) the 3-month trailing cash burn of the Company's group (on a consolidated basis) calculated using earnings before interest, tax, depreciation and amortisation (EBITDA) and other income, net financing cash flows (excluding principal and interest repaid to the Investor), and net changes in working capital, less capital expenditure and cash outflows for taxes and interest, exceeding US\$400,000 more than once during the term of a ZCS;
- (e) an insolvency event occurring, including Company and/or any of its subsidiaries being deemed to be, or stating that it is, unable to pay its debts when they fall due or resolving to enter into liquidation, appointment of a liquidator or other external administrator, or an application being made which is not dismissed or withdrawn within ten business days for an order, or resolution being passed or proposed, a meeting being convened or any other action being taken to cause or consider not paying debts when they fall due, entry into liquidation or appointment of a liquidator or other external administrator;
- (f) cessation or suspension of all or a substantial part of the Company's group's business, or the disposal of a substantial part of its assets (or threatening to any of these things);
- (g) the Company taking action without the prior consent of the Investor to undertake or give effect to a consolidation, subdivision or pro-rata cancellation of the Company's issued capital, or any payment of a dividend in ordinary shares of the Company or distribution of ordinary shares of the Company to holders of its outstanding ordinary shares, excluding a rights offering or a bonus issue;
- (h) failure to issue a cleansing statement, prospectus or other disclosure document in respect of shares issued or to be issued to the Investor where required to enable the shares to be freely tradable or, despite issuing a cleansing statement, prospectus or other disclosure document, any of the Investor's shares cannot be freely traded following their quotation on ASX;

- (i) a cleansing statement issued by the Company is or becomes defective without an amendment or update required to be issued being issued within the time provided for in the Corporations Act;
- (j) any prospectus or other disclosure document issued by the Company under the Corporations Act contains (whether by omission or otherwise) any statement which is false, misleading or deceptive and materially adverse from the point of view of an investor, or otherwise does not comply with the Corporations Act or any other applicable law (including subordinate legislation and the Listing Rules and any regulations of ASX) ("Law") and a replacement or supplementary Disclosure Document is not lodged in accordance with the Corporations Act;
- (k) the suspension of the Company's shares from trading on ASX for more than 5 trading days in any 12 month period, unless as agreed to by the Investor in writing;
- (l) the Company requesting a trading halt on ASX without the prior written consent of the Investor;
- (m) the failure of the Company's shares to be listed on ASX;
- (n) any shares issued or to be issued to the Investor not being quoted on ASX before the commencement of trading on the second trading day following the date of their issue;
- (o) a stop order, suspension of trading, cessation of quotation, or removal of the Company or its shares from the ASX Official List being requested by the Company or imposed by ASIC, the ASX, or any other Government Body with respect to public trading in the shares on the ASX, or a fact or circumstance that may cause the foregoing existing; except for a suspension of trading not exceeding five trading days in a rolling twelve month period or as agreed to by the Investor, which suspension of trading will be terminated prior to the next date upon which shares or other securities (including ZCSs) are to be issued under the Agreement;
- (p) any of the following occurring:
 - (i) trading in securities generally in Australia or the United States being suspended or limited;
 - (ii) minimum prices being established on securities in Australia or the United States or on the ASX;
 - (iii) a banking moratorium being declared by the Australian, the United States or the New York State authorities; or
 - (iv) a material outbreak or escalation of hostilities or another national or international calamity of such magnitude in its effect on, or adverse change in, the United States or the Australian financial market, which in the reasonable judgment of the Investor, makes it impracticable or

inadvisable for the Investor to subscribe for or be issued shares or other securities (including ZCSs) under the Agreement;

- (q) any of the conditions (“Conditions”) for an issue of ZCSs, conversion or amortisation shares or to capitalise Collateral Shares (see further below), not having been fulfilled in a timely manner or at the time prescribed, provided that the non-fulfilment of certain Conditions relating principally to the price, volume, trading and tradability of shares (“Equity Conditions”) in the period leading up to a proposed issue of a tranche of ZCSs other than the first tranche of ZCSs will not be an event of default (and for the avoidance of doubt, only results in the Investor not being required to subscribe and pay for the applicable tranche of ZCSs);
- (r) the Company challenging, disputing or denying the right of the Investor to receive any securities, or otherwise dishonouring or rejecting any action taken, or document delivered, in furtherance of the Investor’s rights to receive any securities (other than challenging actions not permitted under the Agreement);
- (s) a Transaction Document or a transaction contemplated by the Agreement becoming, or being claimed (other than in a vexatious or frivolous proceeding) by any person that is not the Investor or its affiliate to be, wholly or partly void, voidable or unenforceable;
- (t) any person having commenced any action, claim, proceeding, suit, investigation, or action against any other person or otherwise asserted any claim before any government body, which seeks to restrain, challenge, deny, enjoin, limit, modify, delay, or dispute, the right of the Investor or the Company to enter into any Transaction Documents or undertake any of the transactions contemplated by the Agreement (other than a vexatious or frivolous proceeding or claim);
- (u) a Material Adverse Effect[^], or an event, development or condition which, in the reasonable judgement of the Investor, would be likely to have a Material Adverse Effect, occurring;
- (v) there exists a Law which, or an official or reasonable interpretation of which, in the Investor’s reasonable opinion makes it, or is more likely than not to make it, illegal or impossible for the Investor or the Company to undertake any of the transactions contemplated by the Agreement or transactions of similar kind (including acquisition and/or disposition, at a time of the Investor’s choosing, of any securities), in accordance with the Agreement, or renders, or is more likely than not to render, consummation of any of the transactions contemplated by the Agreement in accordance with the Agreement unenforceable, void, voidable or unlawful, or contrary to or inconsistent with any Law;
- (w) if:
 - (i) a change in an interpretation or administration of a Law or a proposed Law introduced or proposed to be introduced into the Parliament of the Commonwealth of Australia or any State or Territory of Australia, or the

House of Representatives or Senate of the United States of America, or by the ASX;

- (ii) compliance by the Investor or any of its affiliates with a Law or an interpretation or administration of a Law; or
 - (iii) a change in a Law or an interpretation or administration of a Law,
- has, or is more likely than not to have, in the reasonable opinion of the Investor, directly or indirectly, the effect of:
- (iv) varying the duties, obligations or liabilities of the Company or the Investor in connection with any Transaction Document or transactions contemplated by the Agreement so that the Investor's rights, powers, benefits, remedies or economic burden (including any tax treatment in the hands of the Investor) are adversely affected (including by way of delay or postponement);
 - (v) otherwise adversely affecting rights, powers, benefits, remedies or the economic burden of the Investor (including by way of delay or postponement); or
 - (vi) otherwise making it impracticable for the Investor to undertake any of the transactions contemplated by the Agreement;
- (x) any authorisation necessary or appropriate for the consummation of those the transactions contemplated by the Agreement that remain to be consummated at the applicable time, having not been issued or received at the time prescribed, or not remaining in full force and effect;
 - (y) the transactions to be undertaken as a consequence of the Agreement, including issuing securities, would result in the Company breaching Listing Rule 7.1 unless a shareholder approval provided for in the Agreement is obtained;
 - (z) the Investor not having received all items required to be delivered to it in accordance with the Agreement;
 - (aa) a judgment (including a default judgement) and for the avoidance of doubt, cash and any other form of judgment of an amount of AU\$200,000 or greater being entered against the Company or any of its subsidiaries;
 - (bb) the Company and/or any of its subsidiaries having defaulted in relation to any payment obligation under any financial accommodation, including any loan, advance, debenture or other form of financing entered into with a third party or otherwise breaching the covenants under any financial accommodation, and such breach not being cured during the specified cure period;
 - (cc) any present or future liabilities, including contingent liabilities, and for the avoidance of doubt, cash and any other form of liabilities, of the Company or any of its subsidiaries for an amount or amounts totalling more than AU\$200,000 not being satisfied on time, or having become prematurely payable;

- (dd) a false or inaccurate certification (including a false or inaccurate deemed certification) by the Company that the Equity Conditions are satisfied or that there has been no failure to satisfy an Equity Condition or as to whether any event of default has occurred;
- (ee) the Company breaching its obligations pursuant to the agreement for the issue of the options;
- (ff) the Company's
 - (i) failure to issue any shares in accordance with the Agreement or any obligation provided for by it; or
 - (ii) notice, written or oral, to the Investor, including by way of public announcement, or through any of its agents, at any time, of its intention of not complying, with the Agreement or any obligation provided for by it;
- (gg) the Company failing to pay to the Investor any amounts when and as due pursuant to the Agreement or any other Transaction Document, or the Company giving a written or oral communication informing the Investor that it does not intend to pay to the Investor any amounts when and as due pursuant to the Agreement or any other Transaction Document, only if such breach remains uncured for a period of at least three (3) consecutive business days;
- (hh) any material damage to, or loss, theft or destruction of, any material amount of property of the Company, whether or not insured, or any strike, lockout, labour dispute, embargo, condemnation, act of God or public enemy, or other casualty causing, for more than 15 consecutive days, the cessation or substantial curtailment of revenue producing activities at any facility of the Company or any subsidiary, if any such event or circumstance would reasonably be expected to have a Material Adverse Effect;
- (ii) ASIC making any order or exercises any of its powers pursuant to Part 6D.4 of the Corporations Act (other than section 741 of the Act) in respect of or relating to any prospectus or other disclosure document issued by the Company; or
- (jj) Mr Ted Dhanik ceasing to be chief executive officer of the Company, without the prior written consent of the Investor, and a qualified replacement, acceptable to the Investor, in its sole discretion, not being appointed within 15 business days.

The Investor may terminate the Agreement by written notice to the Company, effective as of the date stipulated (in the Investor's sole discretion), if, as a consequence of any change of Law, regulation or administrative action or policy relating to tax after the date of the Agreement (including any tax treaty between any of the United States and Australia), the tax liability of the Investor increases from the position that is applicable at the execution date, provided such increase is more than a *de minimus* increase. The Investor may terminate the Agreement or suspend or cancel some of its obligations under the Agreement if in the reasonable opinion of the Investor, at any time there exists a Law which, or an official or reasonable interpretation of which, makes it, or may make it, illegal or impossible in practice for the Investor to undertake any of the transactions

contemplated by the Agreement, or render any of the transactions contemplated by the Agreement unenforceable, void or voidable.

- ^ A “Material Adverse Effect” means, one or more occurrences or matters individually or in aggregate that:
- (a) have or could be expected to have a material adverse effect on the business, assets, condition (financial or otherwise), prospects or results of operations of the Company and its subsidiaries taken as a whole;
 - (b) prevent or could be expected to prevent the Company from performing its obligations under the Agreement; or
 - (c) have or could be expected to have a material adverse effect on the validity or enforceability of all or a material part of the Agreement.

Option terms

Terms and Conditions of Options

- 1 The Options shall be issued for no cash consideration.
- 2 The exercise price of each Option is equal to 110% of the closing bid price of the Shares on the Trading Day that is immediately prior to the issue date, rounded down to three decimal places, as adjusted in accordance with these terms from time to time (**Exercise Price**).
- 3 The Options will expire on the last day of the calendar month which is three years after the issue date (**Expiry Date**) unless earlier exercised.
- 4 The Options are non-redeemable and transferable, subject to any securities laws (including subordinate legislation and the Listing Rules and any regulations of ASX).
- 5 The Options may be exercised at any time wholly or in part (and if less than the balance of the Options then outstanding are being exercised, in multiples with an aggregate exercise price of at least A\$20,000) by delivering a duly completed form of notice of exercise together with payment for the Exercise Price per Option to the Company at any time on or after the date of issue of the Options and on or before the Expiry Date. Payment may be made as directed by the Company from time to time, which may include by cheque, electronic funds transfer or other methods.
- 6 Upon the valid exercise of the Options and payment of the Exercise Price (subject to item 17 below), the Company will within two Trading Days issue fully paid ordinary shares ranking pari passu with the then issued ordinary shares.
- 7 Option holders do not have any right to participate in new issues of securities in the Company made to shareholders generally. The Company will, where required pursuant to the ASX Listing Rules, provide Option holders with notice prior to the books record date (to determine entitlements to any new issue of securities made to shareholders generally) to exercise the Options, in accordance with the requirements of the Listing Rules.
- 8 Option holders do not participate in any dividends unless the Options are exercised and the resultant shares of the Company are issued prior to the record date to determine entitlements to the dividend.
- 9 In the event of any reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company:
 - (a) the number of Options, the Exercise Price of the Options, or both will be reorganised (as appropriate) in a manner consistent with the ASX Listing Rules as applicable at the time of reorganisation, but with the intention that such reorganisation will not result in any benefits being conferred on the holders of the Options which are not conferred on shareholders; and
 - (b) subject to the provisions with respect to rounding of entitlements as sanctioned by a meeting of shareholders approving a reorganisation of capital,

in all other respects the terms for the exercise of the Options will remain unchanged.

- 10 If there is a pro rata issue (except a bonus issue), the Exercise Price of an Option will be reduced according to the following formula:

$$O^n = \frac{O - E [P - (S + D)]}{N + 1}$$

Where:

- O^n = the new exercise price of the Option;
- O = the old exercise price of the Option;
- E = the number of underlying securities into which one Option is exercisable;
- P = the volume weighted average market price per security of the underlying securities during the five trading days ending on the day before the ex right date or the ex entitlements date;
- S = the subscription price for a security under the pro rata issue;
- D = dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro rata issue); and
- N = the number of securities with rights or entitlements that must be held to receive a right to one new security.

- 11 If there is a bonus issue to the holders of shares in the Company, the number of shares over which the Option is exercisable may be increased by the number of shares which the Option holder would have received if the Option had been exercised before the record date for the bonus issue.
- 12 Subject to items 9, 10 and 11, the terms of the Options shall only be changed if holders (whose votes are not to be disregarded) of ordinary shares in the Company approve of such a change. However, unless all necessary waivers of the ASX Listing Rules are obtained, the terms of the Options shall not be changed to reduce the Exercise Price, increase the number of Options or change any period for exercise of the Options.
- 13 The Company does not intend to apply for listing of the Options on the ASX.
- 14 The Company shall immediately apply for listing of the resultant shares of the Company issued upon exercise of any Option.
- 15 Subject to item 16 below, unless the Options were issued pursuant to a disclosure document issued by the Company pursuant to and in compliance with Chapter 6D of the Corporations Act (**Disclosure Document**), on the date of issue of Shares upon exercise of any Option, the Company must lodge with ASX a written notice pursuant to Section 708A(5) of the Corporations Act meeting the requirements of Section 708A(6) of the Corporations Act, and containing the information that is sufficient to permit secondary trading of the shares issued upon exercise of any option to which it

relates, or a Disclosure Document which applies to the Shares issued on exercise of the Option as “relevant securities” within the meaning of section 708A(11) to permit secondary trading of those shares.

16 If for any reason the Company reasonably believes it will be unable to comply with item 15 above and the Company has not issued the Options pursuant to a Disclosure Document:

- (a) (unless the Investor otherwise consents in writing, which consent may be withheld by the Investor or given on such conditions as the Investor determines, in the Investor’s sole discretion), the Company must at all times, whilst any Option remains on issue, have a current disclosure document issued which complies with the requirements of Chapter 6D of the Corporations Act pursuant to which the resultant shares upon any exercise of any option will be issued and the Company must take all necessary steps to ensure that Section 707 of the Corporations Act (other than Section 707(3)(b)(ii)) does not apply to restrict the secondary trading of the shares issued upon exercise of any Option; or
- (b) the notice exercising any Option (**Option Exercise Notice**) will be deemed to be varied to provide that the exercise of Options under that Option Exercise Notice will be satisfied by way of Shares to the extent that the Company is able to or permitted to issue Shares (which for the avoidance of doubt, may include a reduction to nil) and the balance of that Option Exercise Notice will be satisfied by way of payment of cash (**Cash Payment**), the amount of which shall be calculated as an amount per Share that would have otherwise been issued pursuant to the Option Exercise Notice equal to the highest VWAP on any Trading Day during the period commencing on the date of the Option Exercise Notice and ending on the day the Company would have otherwise issued Shares pursuant to paragraph 6 of these terms and conditions and the Company shall pay the Cash Payment on the business day (being a day, other than a Saturday, Sunday or public holiday, on which banks in Melbourne, Victoria, Australia are open for the general transaction of business (**Business Day**)) immediately following the date calculated pursuant to paragraph 7 of these terms and conditions.

17 Fundamental Transaction

- (a) In the event of a Fundamental Transaction that the Company enters into or is a party to after the date of the Convertible Securities Purchase Agreement, the Company (or the Successor Entity) shall purchase from the Option holder any Options remaining on issue as at the FT Date by paying to the Option holder, within 5 Business Days after the FT Date, cash in an amount equal to the Black Scholes Value of the remaining unexercised Options on the FT Date.

- (b) For the purposes of this item 17:

Affiliate means with respect to any person (the **First Person**) any other person who, directly or indirectly, Controls, is under common Control with, or is Controlled by, the First Person;

ASX means ASX Limited and the market operated by it, the Australian Securities Exchange, as applicable;

Black Scholes Value means the value of the Options based on the Black-Scholes Option Pricing Model obtained from the 'OV' function on Bloomberg determined as of the day immediately following the public announcement of the applicable Fundamental Transaction, or, if the Fundamental Transaction is not publicly announced, the FT Date, for pricing purposes and reflecting:

- (i) a risk-free interest rate corresponding to the Australian Government Bond Yields (as published on Bloomberg) for a period equal to the remaining term of Exercise Period as of the date of determination;
- (ii) an expected volatility equal to the greater of 75% and the 100 day volatility obtained from the HVT function on Bloomberg as of the day immediately following the public announcement of the applicable Fundamental Transaction, or, if the Fundamental Transaction is not publicly announced, the FT Date;
- (iii) the underlying price per share used in such calculation shall be the greater of:
 - (A) the highest VWAP during the period beginning on the Trading Day prior to the execution of definitive documentation relating to the applicable Fundamental Transaction and ending on:
 - (I) the Trading Day immediately following the public announcement of such Fundamental Transaction, if the applicable Fundamental Transaction is publicly announced; or
 - (II) the Trading Day immediately following the FT Date if the applicable Fundamental Transaction is not publicly announced; and
 - (B) the sum of the price per share being offered in cash, if any, plus the value of any non-cash consideration, if any, being offered in the Fundamental Transaction,
- (iv) a zero cost of borrow; and
- (v) a 360 day annualization factor.

Bloomberg means Bloomberg Financial Markets.

Chi-X market means the market for trading in securities operated in Australia by Chi-X Australia Pty Ltd.

Control has the meaning given to that term in section 50AA of the Corporations Act and references to **Controlled** shall have a corresponding meaning.

Corporations Act means the *Corporations Act 2001* (Cth).

Exercise Period means the period commencing on the date of issue of the Options and ending on the Expiry Date.

FT Date means the effective date of the Fundamental Transaction.

Fundamental Transaction means, without the prior written consent of the Investor:

- (i) that the Company shall, directly or indirectly, including through Subsidiaries, Affiliates or otherwise, in one or more related transactions:
 - (A) consolidate or merge with or into (whether or not the Company is the surviving corporation) another Subject Entity; or
 - (B) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company or any of its Subsidiaries to one or more Subject Entities; or
 - (C) make, or allow one or more Subject Entities to make, or allow the Company to be subject to or have its Shares be subject to or party to one or more Subject Entities making, a purchase, tender or exchange offer that is accepted by the holders of at least either:
 - (I) 50% of the then current issued Shares;
 - (II) 50% of the then current issued Shares (excluding any Shares held by all Subject Entities making or party to, or Affiliated with any Subject Entities making or party to, such purchase, tender or exchange offer); or
 - (III) such number of Shares such that all Subject Entities making or party to, or Affiliated with any Subject Entity making or party to, such purchase, tender or exchange offer, acquire a relevant interest (as determined pursuant to Chapter 6 of the Corporations Act) of at least 50% of the then current issued Shares; or
 - (D) consummate a share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with one or more Subject Entities whereby such Subject Entities, individually or in the aggregate, acquire, either:
 - (I) 50% of the then current issued Shares;
 - (II) 50% of the then current issued Shares (excluding any Shares held by all Subject Entities making or party to, or Affiliated with any Subject Entities making or party to, such purchase, tender or exchange offer); or
 - (III) such number of Shares such that all Subject Entities making or party to, or Affiliated with any Subject Entity making or party to, such purchase, tender or

exchange offer, acquire a relevant interest (as determined pursuant to Chapter 6 of the Corporations Act) of at least 50% of the then current issued Shares; or

- (E) reorganise (other than by way of consolidation, subdivision, reduction or return), recapitalise or reclassify its Shares,
- (ii) that the Company shall, directly or indirectly, including through Subsidiaries, Affiliates or otherwise, in one or more related transactions, allow any Subject Entity individually or the Subject Entities in the aggregate to acquire a relevant interest (as determined pursuant to Chapter 6 of the Corporations Act), directly or indirectly, whether through acquisition, purchase, assignment, conveyance, tender, tender offer, exchange, reduction in capital, merger, consolidation, business combination, reorganisation, recapitalisation, spin-off, scheme of arrangement, or otherwise in any manner whatsoever, of either:
- (A) at least 50% of the aggregate ordinary voting power represented by the then issued Shares; or
- (B) at least 50% of the aggregate ordinary voting power represented by the then issued Shares not held by all such Subject Entities as of the date of issue of the Options calculated as if any Shares held by all such Subject Entities were disregarded; or
- (iii) directly or indirectly, including through Subsidiaries, Affiliates or otherwise, in one or more related transactions, the issuance of or the entering into any other instrument or transaction structured in a manner to circumvent, or that circumvents, the intent of this definition in which case this definition shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this definition to the extent necessary to correct this definition or any portion of this definition which may be defective or inconsistent with the intended treatment of such instrument or transaction.

Listing Rules means the listing rules of the ASX, as amended from time to time.

Share means a fully paid ordinary share in the capital of the Company.

Subject Entity means any person, persons or any Affiliate of any such person, or persons (other than the Investor or an Affiliate of the Investor).

Subsidiary has the meaning given to that term in the Corporations Act.

Successor Entity means one or more person or persons (or, if so elected by the Option holder, the Company or Affiliate) formed by, resulting from or surviving any Fundamental Transaction or one or more person or persons (or, if so elected by the Option holder, the Company or Affiliate) with which such Fundamental Transaction shall have been entered into.

Trading Day has the meaning given to that term in the Listing Rules.

VWAP means in relation to a Trading Day, the volume weighted average price (in Australian dollars as displayed on Bloomberg (or its equivalent successor if such service is not available), rounded down to three decimal places) of the Shares traded in the ordinary course of business between 10.00 and 16.00 on the ASX and the Chi-X market on that Trading Day, excluding block trades, large portfolio trades, permitted tradies during the post-trading hours period, permitted trades during the pre-trading hours period, out of hours trades, and exchange traded option exercises, provided that:

- (i) if on that Trading Day, Shares were quoted on the ASX as cum dividend or cum any other distribution or entitlement, and the issue of Shares for the purpose of which the VWAP is being determined will occur after that date, and those Shares no longer carry that dividend or other distribution or entitlement, then the VWAP on that Trading Day shall be reduced by an amount (**Cum Value**) equal to:
 - (A) in the case of a dividend or other distribution, the amount of that dividend or other distribution;
 - (B) in the case of any other entitlement which is traded on the ASX on that Trading Day, the VWAP of such entitlements sold on the ASX on that Trading Day; or
 - (C) in the case of an entitlement not traded on the ASX on that Trading Day, the value of the entitlement as reasonably determined by the Option holder; and
- (ii) if on that Trading Day, Shares were quoted on the ASX as ex-dividend or ex any other distribution or entitlement, and the Shares for the purpose of which the VWAP is being determined would be entitled to receive the relevant dividend or other distribution or entitlement, the VWAP on that Trading Day shall be increased by the Cum Value.