

STRAITS RESOURCES LIMITED
(ASX: SRQ)

ISSUE OF CONVERTIBLE NOTES

Following completion of the restructure of the Mt Muro silver facility prepayment facility with Credit Suisse International, Straits Resources Limited (**Straits**)(**ASX:SRQ**) has issued 3,750,000 Class A convertible notes (**Class A Notes**) and 3,250,000 Class B convertible notes (**Class B Notes**) (with each convertible note having a face value of US\$1) to Credit Suisse International on the terms approved by Shareholders at the Extraordinary General Meeting held on 21 October 2013.

The 3,750,000 Class A Notes are convertible at Credit Suisse International's election into fully paid ordinary shares in Straits at a conversion price of 3 cents within 12 months of the date of issue. The 3,250,000 Class B Notes are convertible at a conversion price of 3 cents per share as follows:

- 50% of the Class B Notes must mandatorily convert into fully paid ordinary shares 3 years after the date of issue; and
- The balance 50% of the Class B Notes (**Non Mandatory Conversion Class B Notes**) are able to be converted into fully paid ordinary shares at Credit Suisse International's election within 3 years after the date of issue.

Both the Class A Notes and the Class B Notes bear interest at 12.5% per annum (of which 2.5% is capitalised) and if not converted, the Class A Notes will be redeemed by Straits 12 months after the date of issue and the Non Mandatory Conversion Class B Notes will be redeemed 3 years after the date of issue. The Class A Notes must be redeemed early in the event that Straits undertakes a capital raising or similar liquidity event whilst the Class A Notes are on issue.

The Class A Notes and the Class B Notes were issued as part consideration for Credit Suisse International agreeing to the restructure and as such no actual funds were raised as a result of the issue.

Attached to this announcement is a Cleansing Notice under Section 708A(12C)(e) of the Corporations Act 2001 (as inserted by ASIC Class Order 10/322) in respect of the Class A Notes and Class B Notes.



Andre Labuschagne
Executive Chairman

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5 November 2013

Company Announcements Office
Australian Securities Exchange

CLEANSING NOTICE issued under section 708(12C)(e) of the Corporations Act 2001 (Cth) (as inserted by ASIC Class Order [CO 10/322])

1. Introduction

This Cleansing Notice has been prepared by Straits Resources Limited ABN 30 147 131 977 (**Straits** or **Company**) for the purposes of section 708A(12C)(e) of the *Corporations Act 2001* (Cth) (**Corporations Act**) (as inserted by ASIC Class Order [CO 10/322] (**CO 10/322**)). Issuing this Cleansing Notice enables the fully paid ordinary shares in the capital of the Company (**Shares**) issued on the conversion of the convertible security issued by the Company on the terms described in Schedule 1, to be on-sold to retail investors without further disclosure. This Cleansing Notice is important and should be read in its entirety.

2. Background and Contents of Cleansing Notice

2.1 Background

By agreements dated 5 August 2013 and 20 August 2013, the Company and Credit Suisse International (**Credit Suisse**) agreed to the terms upon which the existing silver prepayment facility (**Silver Prepayment Facility**) made available by Credit Suisse to PT Indo Muro Kencana (the Company's wholly owned subsidiary), (**PTIMK**) was to be restructured (**Restructure**). Credit Suisse agreed to 'standstill' and not exercise certain rights for a period of 3 months from 5 August 2013, pending completion of the Restructure. The Restructure was completed on 4 November 2013.

The key elements of the Restructure are as follows:

- (a) The Silver Prepayment Facility was closed out and the outstanding amount owed to Credit Suisse crystallised (this occurred on 5 August 2013);
- (b) The Straits group made a payment to Credit Suisse of US\$7.5 million (this occurred on 20 August 2013);
- (c) Straits issued US\$3.75 million of short dated (12 month) convertible notes (**Class A Notes**) and US\$3.25 million of 3 year convertible notes (**Class B Notes**) to Credit Suisse (having an aggregate face value of US\$7 million) (**Notes**). The Notes are the subject of this Cleansing Notice;
- (d) Straits and Credit Suisse have agreed to share the net proceeds of any disposal of PTIMK pursuant to the terms of the Mt Muro Proceeds Agreement on a 75% (Credit Suisse) 25% (Company) basis. Further details in relation to the Mt Muro Proceeds Agreement are set out below at section 3.2.
- (e) PTIMK and other members of the Straits Group have granted additional security to Credit Suisse over the Mt Muro project (further detail is set out in relation to this in section 3.2);
- (f) Straits sought shareholder approval for the issue of the Notes and the other aspects of the Restructure (this occurred on 21 October 2013); and

- (g) Straits was released from the existing parent Company guarantee relating to the Silver Prepayment Facility.

The Notes are secured convertible debt obligations of the Company, the terms of which are set out in a note deed poll (**Note Deed Poll**).

The Notes have a face value of \$US1.00 per Note. The Notes bear interest at 12.5% per annum (of which 2.5% is to be capitalised) and if not converted, will be redeemed by the Company on the relevant maturity date (a summary of the terms and conditions of the Notes are set out in Schedule 1 of this Cleansing Notice).

2.2 Contents of Cleansing Notice

This Cleansing Notice sets out the following:

- (a) in relation to the Notes:
 - (1) the effect of the issue of the Notes on the Company (**Issue**); and
 - (2) a summary of the rights and liabilities attaching to the Notes; and
 - (3) a summary of the rights and liabilities attaching to the Shares that will be issued on conversion of the Convertible Notes;
- (b) any information that:
 - (1) has been excluded from continuous disclosure notices in accordance with the ASX Listing Rules (**Listing Rules**); and
 - (2) 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
 - (3) any other information relating to the Company's status as a disclosing entity and where documents may be obtained.

3. The effect of the Issue on the capital structure of the Company

3.1 Effect of the Issue on the Company

The principal effects of the issue of the Convertible Notes on the Company will be to:

- (a) secure the release of the Company from the existing parent Company guarantee relating to the Silver Prepayment Facility (**Parent Guarantee**);
- (b) give rise to the Company having a liability for the amount of the face value of the Convertible Notes (**Redemption Amount**); and
- (c) if the Notes are converted, either whole or in part, increase the number of Shares on issue as a consequence of the issue of Shares on conversion of the Notes (**Conversion Shares**).

3.2 Effect of the Restructure on the Company

As noted above, amongst other matters, the principal effect of the Restructure on the Company itself is that the Restructure results in the Company being released from the Parent Guarantee. The Parent Guarantee provided by the Company secured various obligations, indebtedness and liabilities (primarily relating to the obligation of the Company's subsidiaries to make delivery of silver) of PTIMK under the Silver Prepay Facility. The removal of this guarantee in effect removes the financial obligations of the Company to continue to ensure that the Company's subsidiaries can meet their obligations under the various finance documents.

As at 5 August 2013 August 2013, the ISDA Close-Out Amount under the Silver Prepay Facility was set at US\$29,709,886. The Close-Out Amount was subsequently reduced by US\$3,811,442 in gold hedging gains which were realised on 5 August 2013 and offset against the Close-Out Amount and a cash payment to Credit Suisse on 20 August 2013 of US\$7,500,000.

In addition, the Company and Credit Suisse have entered into the Mt Muro Proceeds Agreement which provides that in the event that the Company is able to find a buyer for the Mt Muro Gold Project, the sale proceeds will be paid in the following order:

- (a) first, towards reimbursement of any actual amounts paid by the Company for the purpose of funding the operations at the Mt Muro mine during the period commencing on the date of the Standstill Agreement (5 August 2013) and ending on the date on which the relevant proceeds for the Mt Muro Gold Project are received (up to an aggregate of US\$2,500,000);
- (b) secondly, shared 75% to Credit Suisse for application towards the outstanding ISDA Close-Out Amount and 25% to the Company; and
- (c) finally, if the ISDA Close-Out Amount has been paid to Credit Suisse in full, the balance of the relevant proceeds to the Company.

As part of the Restructure, Credit Suisse International is granted a Security Interest over all of the shares (and rights relating to those shares) of Muro Offshore Pty Ltd, Kalteng Emas Pte Ltd and Kalteng Minerals Ptd Ltd, and all of the secured assets of Muro Offshore Pty Ltd (which include for the avoidance of doubt "proceeds" as defined in the *Personal Properties Securities Act 2009* (Cth)).

Under the Mt Muro General Security Interest, Credit Suisse International is granted a Security Interest over the shares and assets of:

- (a) Straits Gold Pty Ltd;
- (b) Straits Indo Gold Pty Ltd;
- (c) Muro Offshore Pty Ltd; and
- (d) Indo Muro Pty Ltd.

Credit Suisse is also granted a Security Interest over PT Indo Muro Kencana's right, title and interest in or to an account held with ANZ. Shareholders should note that the above securities are in addition to the previously held securities in favour of Credit Suisse, given under the Security Agreement (Over Shares) dated on or about 26 October 2012 in respect of the shares in (and rights relating to those shares) of Kalteng Emas Pte Ltd and Kalteng Minerals Ptd Ltd (**ISDA Security Agreement (Over Shares)**).

3.3 Pro forma balance sheet of the Company taking into account issue of the Notes

- (a) To illustrate the effect of the Issue of the Notes, set out below is a pro forma consolidated Balance Sheet as at 30/06/13 for the Company based on the consolidated Balance Sheet as at 30/06/13 for the Company, adjusted to reflect the Issue of the Notes and prepared on the basis of the accounting policies normally adopted by the Company.
- (b) The pro forma financial information is presented in an abbreviated form in so far as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements. The pro forma Balance Sheet is not audited. The classification of the allocations between debt and equity for the Notes may change in the future.
- (c) Pro forma consolidated Balance Sheet

Pro forma consolidated Balance Sheet as at 30 June 2013:

	Actual 30 June 2013 \$'000	Pro forma Adjustments \$'000	Pro forma 30 June 2013 \$'000
CURRENT ASSETS			
Cash and cash equivalents ⁽¹⁾	18,256	(6,712)	11,544
Trade and other receivables	10,032		10,032
Inventories	15,399		15,399
Other financial assets	1,397		1,397
Derivative financial assets ⁽²⁾	9,034	(2,503)	6,531
Short term mine development	8,848		8,848
Assets classified as held for sale	1,889		1,889
Total current assets	64,855	(9,215)	55,640
NON-CURRENT ASSETS			
Receivables	21,010		21,010
Derivative financial assets ⁽²⁾	13,123	(3,321)	9,802
Property, plant and equipment	35,699		35,699
Exploration properties	26,154		26,154
Mine properties	49,948		49,948
Deferred tax assets	17,814		17,814
Total non-current assets	163,748	(3,321)	160,427
TOTAL ASSETS	228,603	(12,536)	216,067

CURRENT LIABILITIES

Trade and other payables	68,654		68,654
Interest bearing liabilities	65,079		65,079
Deferred revenue ⁽³⁾	16,658	(16,658)	-
Provisions	5,919		5,919
Convertible notes ⁽⁴⁾	-	3,965	3,965
Total current liabilities	156,310	(12,693)	143,617

NON-CURRENT LIABILITIES

Interest bearing liabilities	57,627		57,627
Deferred revenue ⁽³⁾	18,205	(18,205)	-
Provisions	29,061		29,061
Convertible notes ⁽⁴⁾	-	1,318	1,318
Total non-current liabilities	104,893	(16,887)	88,006

TOTAL LIABILITIES

	261,203	(29,580)	231,623
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NET ASSETS

	(32,600)	(17,044)	(15,556)
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EQUITY

Issued capital ⁽⁴⁾	353,300	2,118	355,418
Reserves ⁽²⁾	13,007	(1,586)	11,421
Retained profits ⁽¹⁾⁽⁵⁾	(398,907)	16,512	(382,395)
TOTAL EQUITY	(32,600)	(17,044)	(15,556)

Notes:

1. Cash payment of A\$8.2 million (US\$7.5 million) consisting of cash transfer from Straits of A\$6.7 million and funding from gold sales of A\$1.1 million and silver sales of A\$0.4 million (both reflected in Retained Profits movement).
2. Includes mark-to-market movement of gold hedges for month of July (A\$1.6 million) and close out of gold hedge (A\$4.2 million) on 5 August 2013.
3. Close out of Silver Prepay Facility (current and non-current) comprising cash payment (A\$8.2 million), silver sales delivered into Silver Prepay Facility (A\$4.9 million), issue of convertible notes (A\$7.4 million) and gain on close-out of Silver Prepay Facility (\$14.3 million).
4. Issue of Class A and Class B Convertible Notes for A\$7.4 million including equity component of A\$2.1m. In determining the equity component for the convertible notes it is assumed the coupon interest rate of 12.5% is a market related discount rate.
5. Retained profits movement of A\$16.5 million consists of gain on close-out of Silver Prepay Facility (\$14.3 million), silver sales delivered into Silver Prepay Facility (A\$4.9 million), gold and silver sales utilised in cash payment (A\$1.5 million) less purchase of silver (\$4.2 million).

3.4 Potential effect on Share structure

- (a) Prior to the issue of the Notes, the issued capital of the Company was:

Type of security	Securities prior to the issue of the Notes
Shares	1,164,150,159

(b) As at the date of this Cleansing Notice, the issued capital of the Company is:

Type of security	Securities
Shares	1,164,150,159
Class A Notes	3,750,000 (each with a face value of US\$1.00)
Class B Notes	3,250,000 (each with a face value of US\$1.00)

(c) The capital structure of the Company will be affected by the conversion of the Notes, which will result in the Conversion Shares. The number of Shares which the Notes may convert into, are subject to and influenced by a number of factors, including but not limited to:

- (1) the number of Notes actually converted (as opposed to redeemed) into Shares by Credit Suisse International;
- (2) the timing of any conversion (as should a portion of the Notes be converted, the PIK Interest capitalised will only be in respect of the outstanding Notes, not those converted Notes); and
- (3) the rate of exchange between the US\$ and AU\$ (as the Notes have a Face Value in US\$ and a Conversion Price in AU\$).

The table below sets out an example of the number of Shares that may be issued on conversion of the Notes:

Conversion of Face Value from US\$ to AU\$	$(\text{US\$}7,000,000 / 0.9500) = \text{AU\$}7,368,421.05$
Number of Shares acquired by Credit Suisse	$(\text{AU\$}7,368,421.05 / 0.03) = 245,614,035$ Shares
Total number of Shares on issue following conversion of Notes	$(245,614,035 + 1,164,150,159) = 1,409,764,194$ Shares
Percentage of Company held by Credit Suisse International	$(245,614,035 / 1,409,764,194) \times 100 = 17.42\%$

Assumptions used in the above table:

- The number of Shares on issue in the Company remaining at 1,164,150,159 Shares;
- A Conversion Price of AU\$0.03 per Share;
- An AU\$/US\$ conversion rate of US\$0.9500 per AU\$1.00 (based on the conversion rate as at 31 October 2013); and
- No PIK Interest being included.

4. Summary of the rights and liabilities attaching to the Notes

A summary of the terms and conditions of the Notes are set out in Schedule 1 of this Cleansing Notice.

5. Rights and liabilities attaching to Shares issued on conversion of the Notes

The Shares to be issued to the Noteholders on the conversion of the Notes will rank equally in all respects with all of the Company's existing Shares, except that it will not be entitled to any dividend or any other distribution or entitlement that has been declared or determined but not paid as at the date of conversion. The rights attaching to Shares, including the new Shares to be issued to the Noteholders on the conversion of the Notes, are set out in the Company's constitution (**Constitution**) and, in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules and the general law.

Full details of the rights and liabilities attaching to Shares are set out in the 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) Voting

Every holder of Shares present in person or by proxy at a meeting of shareholders has one vote on a vote taken by a show of hands and, on a poll, one vote for every fully paid Share held.

(b) Dividends

The Company's directors may declare a dividend is payable and fix the amount and the time for and method of payment.

All fully paid Shares on which any dividend is declared or paid, are entitled to participate in that dividend equally.

(c) Transfer of shares

Shares may be transferred, and transfers may be registered, in any manner required or permitted by the ASX Listing Rules. The Company must comply with and give effect to those rules and it may, in accordance with those rules, decline to issue certificates for holdings of Shares.

(d) Meetings and notice

Each shareholder is entitled to receive notice of and to attend general meetings of the Company and to receive all notices required to be sent to shareholders under the Constitution.

(e) Issue of further Shares

The Company's directors may allot, issue or grant securities in the Company on such terms and conditions as they see fit subject to compliance with the Corporations Act and the ASX Listing Rules.

(f) Variation of rights

If at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class, may be cancelled, abrogated or varied with the sanction of a special resolution of the Company (which must be passed by at least 75% of shareholders present and voting at a general meeting) and with either:

- (1) the consent in writing of the holders of 75% of the issued shares of that class, or
- (2) by a special resolution passed at a meeting of the holders of the shares of that class (which must be passed by at least 75% of class members present and voting at the meeting).

(g) Non marketable parcels

The Constitution contains procedures to enable the Company to seek to sell non-marketable parcels of Shares on behalf of shareholders, unless the shareholder requests otherwise.

6. The Company is a “Disclosing Entity”

The Company is a “disclosing entity” under the Corporations Act and, accordingly, 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 has an obligation under ASX Listing Rule 3.1 and section 674 of the Corporations Act (subject to certain limited exceptions) to notify ASX immediately once it is or becomes aware of information concerning the Company that a reasonable person would expect to have a material effect on the price or 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 (refer to section 7).

7. Copies of Documents

Pursuant to section 713(4) of the Corporations Act (as amended by CO 10/322) 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 with ASIC, being the financial report of the Company for the year ended 30 June 2013 (**2013 Financial Report**);
- (b) any half-year financial report lodged by the Company with ASIC after the lodgement of the 2013 Financial Report and before the lodgement of this Cleansing Notice with ASIC; and
- (c) any continuous disclosure notice given by the Company to ASX after the lodgement of that annual financial report and before lodgement of the copy of this Cleansing Notice with ASIC.

A list of the continuous disclosure notices given by the Company to ASX after the lodgement of the 2013 Financial Report and before lodgement of this Cleansing Notice with ASIC is set out in the table below.

Date	Announcement
17/10/2013	Response to ASX Query
21/10/2013	Quarterly Activities Report
21/10/2013	Results of Meeting
22/10/2013	Company Secretary Appointment/Resignation and Change Address
23/10/2013	Change of Director's Interest Notice
23/10/2013	Brisbane Mining Conference Presentation
25/10/2013	Ceasing to be a substantial shareholder
01/11/2013	Notice of Annual General Meeting and Proxy Form
04/11/2013	Completion of Mt Muro Debt Restructure

8. Information excluded from the Continuous Disclosure Notice

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 purposes 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 Convertible Notes and Shares.

In accordance with ASX Listing Rule 3.10.5 the Appendix 3B is attached relating to the issue of the Convertible Notes.

Yours faithfully

Straits Resources Limited



Andre Labuschagne
Executive Chairman

Schedule 1



Note Terms and Conditions

1. Interpretation

1.1 Definitions

Unless the contrary intention appears:

Additional Amount means an additional amount payable by the Issuer under Condition 11.2 (“Withholding tax”).

Aggregate Face Value means in respect of:

- (a) the Class A Notes, the total number of Class A Notes multiplied by the Face Value of the Class A Notes; and
- (b) the Class B Notes, the total number of Class B Notes multiplied by the Face Value of the Class B Notes.

ASIC means the Australian Securities and Investments Commission.

ASX means the Australian Securities Exchange operated by ASX Limited (ABN 98 008 624 691).

ASX Listing Rules means the listing rules of ASX as amended or replaced from time to time, except to the extent of any express written waiver by ASX.

ASX Operating Rules means the operating rules of ASX as amended or replaced from time to time, except to the extent of any express written waiver by ASX.

Australian Tax Act means the Income Tax Assessment Act 1936 of Australia and, where applicable, the Income Tax Assessment Act 1997 of Australia.

Authorised Officer means a director, secretary or a person appointed by the Issuer to act as an authorised officer of the Issuer under the Transaction Documents.

Bill means a bill of exchange as defined in the Bills of Exchange Act 1909 of Australia.

Business Day means a day which is defined as a “business day” for the purposes of the ASX Listing Rules and:

- (a) if a Note is to be issued, a payment in respect of a Note made or a Note Redeemed or Converted, a day (other than a Saturday, Sunday or public holiday):
 - (1) on which commercial banks are open for general banking business in Sydney, Brisbane and London;
 - (2) on which commercial banks settle payments in Sydney, Brisbane and London; and
- (c) otherwise, a day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for general banking business in Sydney and Brisbane.

Cash Interest Rate means 10% per annum.

Certificate means the certificate representing the Notes.



Class A Notes means those Notes issued in accordance with these Conditions having, on the Issue Date, an Aggregate Face Value of \$US3.75 million and having a Maturity Date ending on the last day of the Class A Note Term.

Class B Notes means those Notes issued in accordance with these Conditions having, on the Issue Date, an Aggregate Face Value of \$US3.25 million and having a Maturity Date ending on the last day of the Class B Note Term.

Class A Note Term means 1 year from the Issue Date.

Class B Note Term means 3 years from the Issue Date.

Closing Date means the date on which Notes are first issued by the Issuer under the Note Deed Poll.

Conditions means these Terms and Conditions.

Constitution means the constitution of the Issuer.

Conversion means a conversion of Notes into Shares in accordance with Condition 7 (“Rights of Conversion”), and **Convert** or **Converted** have the same meaning.

Conversion Date means:

- (a) in respect of the exercise of a Holder Conversion Right and a Note, the Business Day following the date the Issuer receives the relevant Holder Conversion Notice, any payments under Condition 7.4 (“Obligations”) have been made and (if required) the Notes have been delivered to Holder; or
- (b) in respect of Conversion under Condition 7.1, the later of the Business Day following the Maturity Date for the Class B Notes and the date the Issuer receives any payments under Condition 7.4 (“Obligations”) ,

provided that, in each case, if such date is a Non-trading Day, then the Conversion Date will be the next following Business Day that is not a Non-trading Day.

Conversion Price has the meaning given in Condition 8.1(b) (“Conversion”).

Corporations Act means the Corporations Act 2001 (Cth).

Current Market Price means, in respect of an Share at a particular date, the average of the Volume Weighted Average Price of an Share for the 10 consecutive dealing days ending on the dealing day immediately preceding such date; provided that if at any time during the said 10-dealing-day period the Volume Weighted Average Price shall have been based on a price ex-Dividend (or ex-any other entitlement) and during some other part of that period the Volume Weighted Average Price shall have been based on a price cum-Dividend (or cum-any other entitlement), then:

- (a) if the Shares to be issued do not rank for the Dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Shares shall have been based on a price cum-Dividend (or cum-any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per Share as at the date of first public announcement of such Dividend (or entitlement) (excluding, in any case, any associated tax credit); or
- (b) if the Shares to be issued do rank for the Dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Shares shall have been



based on a price ex-Dividend (or ex-any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof increased by such similar amount,

and provided further that if on each of the said 10 dealing days the Volume Weighted Average Price shall have been based on a price cum-Dividend (or cum-any other entitlement) in respect of a Dividend (or other entitlement) which has been declared or announced but the Shares to be issued do not rank for that Dividend (or other entitlement) the Volume Weighted Average Price on each of such dates shall for the purposes of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per Share as at the date of the first public announcement of such Dividend or entitlement (excluding, in any case, any associated tax credit), and provided further that, if the Volume Weighted Average Price of an Share is not available on one or more of the said 10 dealing days, then the average of such Volume Weighted Average Prices which are available in that 10-dealing-day period shall be used (subject to a minimum of two such prices) and if only one, or no, such Volume Weighted Average Price is available in the relevant period the Current Market Price shall be determined in good faith by an Independent Financial Adviser.

In making any calculation or determination of Current Market Price or Volume Weighted Average Price, such adjustments (if any) shall be made as an Independent Financial Adviser considers appropriate to reflect any consolidation or subdivision of the Shares or any issue of Shares by way of capitalisation of profits or reserves, or any like or similar event.

dealing day means a day on which the ASX or other relevant stock exchange or securities market is open for business, other than a day on which the ASX or relevant stock exchange or securities market is scheduled to or does close prior to its regular weekday closing time.

Dividend means any dividend or distribution (including a Spin-Off) whether of cash, assets or other property, and whenever paid or made and however described (and for these purposes a distribution of assets includes without limitation an issue of Shares or other Securities credited as fully or partly paid up by way of capitalisation of profits or reserves) and includes payment on redemption, or for the purchase of, Shares of the Issuer provided that:

- (a) where a cash Dividend is announced which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the issue or delivery of Shares or other property or assets, or where a capitalisation of profits or reserves is announced which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the payment of a cash Dividend, then for the purposes of this definition the Dividend in question shall be treated as a Dividend of the greater of:
 - (1) such cash Dividend; and
 - (2) the Fair Market Value (on the date of the first public announcement of such Dividend or capitalisation (as the case may be) or if later, the date on which the number of Shares (or amount of property or assets, as the case may be) which may be issued or delivered is determined) of such Shares or other property or assets; and
- (c) a purchase or redemption or buy back of share capital of the Issuer by or on behalf of the Issuer or any Subsidiary of the Issuer shall not constitute a Dividend unless, in the case of purchases or buy backs of Shares by or on behalf of the Issuer or any of its Subsidiaries, the weighted average price per Share (before expenses) on any one day (a "**Specified Share Day**") in respect of such purchases or buy backs translated, if not in Australian dollars, into Australian dollars at the spot rate ruling at the close of business on such day as determined in good faith by an Independent Financial Adviser (or if no such rate is available on that date, the equivalent rate on the immediately preceding date on which such rate is available) exceeds by more than 5 per cent. the average of the closing prices of the Shares on the ASX (as published by or derived from the ASX) on the five dealing days immediately preceding the Specified Share Day



or, where an announcement (excluding, for the avoidance of doubt for these purposes, any general authority for such purchases approved by a general meeting of Shareholders of the Issuer or any notice convening such a meeting of Shareholders) has been made of the intention to purchase Shares at some future date at a specified price, on the five dealing days immediately preceding the date of such announcement, in which case such purchase shall be deemed to constitute a Dividend in Australian dollars to the extent that the aggregate price paid (before expenses) in respect of such Shares purchased by the Issuer or, as the case may be, any of its Subsidiaries (translated where appropriate into Australian dollars as provided above) exceeds the product of:

- (1) 105 per cent of the average closing price of the Shares determined as aforesaid; and
- (2) the number of Shares so purchased; and

if the Issuer or any of its Subsidiaries shall purchase any receipts or certificates representing Shares, the provisions of paragraph (c) shall be applied in respect thereof in such manner and with such modifications (if any) as shall be determined in good faith by an Independent Financial Adviser.

Event of Default means the happening of any event set out in Condition 13 (“**Events of Default**”).

Exempt Newco Scheme means a Newco Scheme where immediately after completion of the relevant scheme of arrangement the ordinary shares of Newco are:

- (a) admitted to listing on the ASX; or
- (b) admitted to listing on such other regulated, regularly operating, recognised stock exchange of securities as the Issuer or Newco may determine.

Face Value has, in respect of:

- (a) the Class A Notes, the meaning given to that term in Condition 2.1(a); and
- (b) the Class B Notes, the meaning given to that term in Condition 2.1(b).

Fair Market Value means, with respect to any property on any date, the fair market value of that property as determined in good faith by an Independent Financial Adviser provided that:

- (a) the Fair Market Value of a cash Dividend paid or to be paid shall be the amount of such cash Dividend;
- (b) the Fair Market Value of any other cash amount shall be the amount of such cash;
- (c) where Spin-Off Securities, options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined by an Independent Financial Adviser), the fair market value:
 - (1) of such Spin-Off Securities shall equal the arithmetic mean of the daily Volume Weighted Average Prices of such Spin-Off Securities; and
 - (2) of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights, in the case of both (a) and (b) during the period of 10 dealing days on the relevant market commencing on such date (or, if later, the first such dealing day such Spin-Off Securities options, warrants or other rights are publicly traded); and



- (d) in the case of (a), converted into Australian dollars (if declared or paid in a currency other than Australian dollars) at the rate of exchange used to determine the amount payable to Shareholders who were paid or are to be paid or are entitled to be paid the cash Dividend in Australian dollars, and in any other case, converted into Australian dollars (if expressed in a currency other than Australian dollars) at such rate of exchange as may be determined in good faith by an Independent Financial Adviser to be the spot rate ruling at the close of business on that date (or if no such rate is available on that date the equivalent rate on the immediately preceding date on which such a rate is available).

Following Business Day Convention means, in respect of a date, that the date is postponed to the first following day that is a Business Day.

Further Note Raising means the issue of convertible notes by the Issuer to one or more investors (other than the issue of Notes to the Holder).

Governmental Agency means any government or any governmental, semi-governmental, administrative, fiscal or judicial body or department, commission, authority, tribunal, agency or entity. It also includes a self-regulatory organisation established under statute or a stock exchange.

Guarantee means any guarantee, suretyship, letter of credit, letter of comfort or any other obligation;

- (a) to provide funds (whether by the advance or payment of money, the purchase of or subscription for shares or other securities, the purchase of assets or services, or otherwise) for the payment or discharge of;
- (b) to indemnify any person against the consequences of default in the payment of; or
- (c) to be responsible for,

any debt or monetary liability of another person or the assumption of any responsibility or obligation in respect of the insolvency or the financial condition of any other person.

Holder means a person entered on the Register as the holder of a Note.

Holder Conversion Period means a period commencing upon the earlier of the following to occur:

- (a) the date 6 months from the Issue Date; or
- (b) the date of any Liquidity Event; and

and ending up to 5pm (Brisbane time) on the day five Business Days prior to the Maturity Date or, if a Note shall have been called for redemption by the Issuer before the Maturity Date, then up to 5pm (Brisbane time) on the day five Business Days prior to the applicable Redemption Date.

Holder Conversion Notice means a notice given under Condition 7.2 ("Holder Conversion Right") in, or substantially in, the form set out in Annexure A.

Holder Conversion Right means the right of a Holder to convert some or all of its Notes into Shares as set out in Condition 7.2 ("Holder Conversion Right").

Indebtedness means any debt or other monetary liability in respect of moneys borrowed or raised or any financial accommodation including under or in respect of any:



- (a) Bill, bond, debenture, note or similar instrument;
- (b) acceptance, endorsement or discounting arrangement;
- (c) Guarantee;
- (d) finance or capital Lease;
- (e) agreement for the deferral (for more than 90 days) of a purchase price or other payment in relation to the acquisition of any asset or service;
- (f) obligation to deliver goods or provide services paid for in advance by any financier;
- (g) agreement for the payment of capital or premium on the redemption of any preference shares;
- (h) any derivative transaction;
- (i) any redeemable shares where the holder has the right, or the right in certain conditions, to require redemption; or
- (j) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;

and irrespective of whether the debt or liability:

- (k) is present or future;
- (l) is actual, prospective, contingent or otherwise;
- (m) is at any time ascertained or unascertained;
- (n) is owed or incurred alone or severally or jointly or both with any other person; or
- (o) comprises any combination of the above.

Independent Financial Adviser means an investment bank of international repute appointed by the Issuer.

Initial Holder means Credit Suisse International.

Interest Payment Date means whilst any Notes remain outstanding and:

- (a) in respect of Class A Notes each 6 month anniversary from, and including, its Issue Date and its Maturity Date or Conversion Date or Redemption Date adjusted, if necessary, in accordance with the Following Business Day Convention; and
- (b) in respect of Class B Notes each 6 month anniversary from, and including, its Issue Date and its Maturity Date or Conversion Date or Redemption Date adjusted, if necessary, in accordance with the Following Business Day Convention

Interest Period means each period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next Interest Payment Date. However:

- (a) the first Interest Period commences on (and includes) the Issue Date; and
- (b) the final Interest Period ends on (but excludes) the earlier of the Maturity Date, Conversion Date or Redemption Date of that Note.



Interest Rate means 12.5 per cent per annum.

Issue Date means the date (which must be a Business Day and a day which is immediately prior to another Business Day) that the Notes are issued pursuant to the Note Deed Poll

Issuer means Straits Resources Limited (ACN 147 131 977).

Lease means a lease, charter, hire purchase, hiring agreement or the Notes agreement under which any property is or may be used or operated by a person other than the owner.

Liquidity Event means:

- (a) the Further Note Raising; or
- (b) a capital raising undertaken by the Issuer comprising an issue of Shares or other Securities.

Mandatory Conversion Notes means that number of Class B Notes equal to 50% of the Class B Notes issued on the Issue Date.

Material Subsidiary means Tritton Resources Pty Ltd.

Maturity Date means:

- (a) for Class A Notes, the last day of the Class A Note Term; and
- (b) for Class B Notes, the last day of the Class B Note Term.

Moneys Owning means all debts and monetary liabilities of the Issuer to a Holder under or in relation to any Transaction Document and in any capacity, irrespective of whether the debts or liabilities:

- (a) are present or future;
- (b) are actual, prospective, contingent or otherwise;
- (c) are at any time ascertained or unascertained;
- (d) are owed or incurred by or on account of the Issuer alone, or severally or jointly with any other person;
- (e) are owed to or incurred for the account of any Holder alone, or severally or jointly with any other person;
- (f) are owed to any other person as agent (whether disclosed or not) for or on behalf of any Holder;
- (g) are owed or incurred as principal, interest, fees, charges, Taxes, damages (whether for breach of contract or tort or incurred on any other account);
- (h) are owed to or incurred for the account of any Holder directly or as a result of:
 - (1) the assignment or transfer to any Holder of any debt or liability of the Issuer (whether by way of assignment, transfer or otherwise); or
 - (2) any other dealing with any such debt or liability;



- (i) are owed to or incurred for the account of a Holder before the date of this agreement or before the date of any assignment of this agreement to any Holder by any other person or otherwise; or
- (j) comprise any combination of the above.

Newco Scheme means a scheme of arrangement which effects the interposition of a limited liability company (“**Newco**”) between the Shareholders of the Issuer immediately prior to the scheme of arrangement (the “**Existing Shareholders**”) and the Issuer, provided that immediately after completion of the scheme of arrangement the only shareholders of Newco are the Existing Shareholders each holding a shareholding interest in Newco equal to their proportional shareholding in the Issuer immediately prior to the scheme of arrangement (subject to any issue to a nominee in respect of the entitlements of Existing Shareholders where in the Issuer’s view it would be unreasonable to extend the offer or invitation) and that all Subsidiaries of the Issuer immediately prior to the scheme of arrangement (other than Newco, if Newco is then a Subsidiary of the Issuer) are Subsidiaries of the Issuer (or of Newco) immediately after the scheme of arrangement.

Non-trading Day means a Business Day on which trading on the ASX in Shares was suspended on such day or a trading halt has occurred for any period during such day or trading on the ASX in those Shares could not, or can not, for any reason whatsoever, take place such that the Issuer will be unable, in the reasonable opinion of an Authorised Officer of the Issuer, to fulfil its obligations under Condition 8 (“Conversion”).

Note means a debt obligation issued or to be issued by the Issuer which is constituted by, and owing under the Note Deed Poll, the details of which are recorded in, and evidenced by entry in, the Register and includes Class A Notes and the Class B Notes.

Note Deed Poll means the deed poll entered into by the Issuer in favour of the Holders dated on or about 16 August 2013.

Offshore Associate means an associate (as defined in section 128F of the Australian Tax Act) of the Issuer that is either:

- (a) a non-resident of Australia which does not acquire the Notes in carrying on a business at or through a permanent establishment in Australia; or
- (b) a resident of Australia that acquires the Notes in carrying on a business at or through a permanent establishment outside Australia.

Outstanding Amount means, at any time, the amount outstanding on a Note at that time.

Payment Date means the Maturity Date, an Interest Payment Date or other relevant date on which the Issuer must make a payment under an Note issued by it (including a Conversion Date or other early payment date (if any)).

PIK Interest Rate means 2.5% per annum.

Record Date means the close of business in the place where the Register is maintained on the eighth calendar day before the Payment Date.

Redemption Amount means the Outstanding Amount on a Note as at the Maturity Date.

Redemption Date means, in respect of a Note, the date, (other than the Maturity Date), on which that Note is redeemed in accordance with Condition 9.

Register means the register of holders of Notes established and maintained by, or on behalf of, the Issuer.



Related Entity has the meaning it has in the Corporations Act.

Relevant Interest has the meaning given to it by sections 608 and 609 of the Corporations Act.

Relevant Notes means those Notes the subject of a Holder Conversion Notice.

Relevant Tax Jurisdiction means any country, or political sub-division of one or more countries, or any federation or association of countries:

- (a) in which the Issuer is either incorporated or is resident or domiciled for any tax purpose; or
- (b) from which, or through which, any payment in relation to an Note is made.

Scheduled Redemption means the redemption of the Notes occurring on the Maturity Date.

Securities means any securities whether debt, equity or hybrid including, without limitation, Shares or options, bonds, warrants or other rights to subscribe for or purchase or acquire Shares.

Security Interest means any mortgage, pledge, lien or charge or any security or preferential interest or arrangement of any kind or any other right of, or arrangement with, any creditor to have its claims satisfied in priority to other creditors with, or from the proceeds of, any asset. Without limitation, it includes security by way of deposit of moneys or other property and title retention other than in the ordinary course of day-to-day trading, but does not include:

- (a) any lien arising by operation of law in the ordinary course of business;
- (b) any charge or lien in favour of a Governmental Agency arising by operation of law; or
- (c) deposits of money or property in the ordinary course of business by way of security for the performance of statutory obligations.

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

Specified Office of a person means the office specified for that person as notified to Holders from time to time and, if none specified or notified, that person's registered office.

Spin-Off means:

- (a) a distribution of Spin-Off Securities by the Issuer to Shareholders as a class; or
- (b) any transfer of any property or assets (including cash or shares or securities of or in or issued or allotted by any entity) by any entity (other than the Issuer) to Shareholders as a class or, in the case of or in connection with a Newco Scheme, Existing Shareholders as a class (but excluding the issue and allotment of shares by Newco to Existing Shareholders), pursuant in each case to any arrangements with the Issuer or any of its Subsidiary Undertakings.

Spin-Off Securities means equity share capital of an entity other than the Issuer.

Subscription Agreement means the agreement between the Issuer and the Holder, pursuant to which the Holder agrees to subscribe for the Notes.

Subsidiary of an entity means another entity which is a subsidiary of the first within the meaning of Part 1.2 Division 6 of the Corporations Act or is a subsidiary or otherwise controlled by the first within the meaning of any applicable approved accounting standard.



Taxes means taxes, levies, imposts, charges and duties (including stamp and transaction duties) imposed by any authority together with any related interest, penalties, fines and expenses in connection with them, except if imposed on, or calculated having regard to, the net income of the Holder.

Transaction Documents means each of the Note Deed, each Note, the Subscription Agreement and any other document which the Issuer acknowledges in writing to be a Transaction Document.

Transfer Form means a transfer and acceptance form in, or substantially in, the form set out in Annexure B.

United States Dollars or US\$ means United States Dollars.

Volume Weighted Average Price means, in respect of an Share or, as the case may be, a Spin-Off Security on any dealing day, the volume-weighted average price of an Share or, as the case may be, a Spin-Off Security published by or derived (in the case of an Share) from the ASX or (in the case of a Spin-Off Security) from the principal stock exchange or securities market on which such Spin-Off Securities are then listed or quoted or dealt in, if any, or, in any such case, such other source as shall be determined to be appropriate by an Independent Financial Adviser on such dealing day, provided that on any such dealing day where such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of an Share or a Spin-Off Security, as the case may be, in respect of such dealing day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding dealing day on which the same can be so determined.

In making any calculation or determination of Volume Weighted Average Price, such adjustments (if any) shall be made as an Independent Financial Adviser considers appropriate to reflect any consolidation or subdivision of the Shares or any issue of Shares by way of capitalisation of profits or reserves, or any like or similar event.

Winding-Up means any procedure whereby the Issuer may be wound-up, dissolved, liquidated or cease to exist as a body corporate whether brought or instigated by a Holder or any other person, but excludes any Winding-Up which results in there being a successor to the Issuer and the obligations under the Notes are assumed by that successor.

1.2 Interpretation

- (a) Unless the contrary intention appears, a reference in these Conditions to:
- (1) a document includes any variation or replacement of it despite any change in the identity of the parties;
 - (2) one gender includes the others;
 - (3) the singular includes the plural and the plural includes the singular;
 - (4) a person, partnership, corporation, trust, association, joint venture, unincorporated body, Government Body or other entity includes any other of them;
 - (5) an item, recital, clause, subclause, paragraph, schedule or attachment is to an item, recital, clause, subclause, paragraph of, or schedule or attachment to, this agreement and a reference to this agreement includes any schedule or attachment;
 - (6) a party includes the party's executors, administrators, successors, substitutes (including a person who becomes a party by novation) and permitted assigns;



- (7) any statute, ordinance, code or other law includes regulations and other instruments under any of them and consolidations, amendments, re-enactments or replacements of any of them;
- (8) money is to Australian dollars, unless otherwise stated; and
- (9) a time is a reference to Brisbane time unless otherwise specified.
- (b) The words include, including, such as, for example and similar expressions are not to be construed as words of limitation.
- (c) Where a word or expression is given a particular meaning, other parts of speech and grammatical forms of that word or expression have a corresponding meaning.
- (d) Headings and any table of contents or index are for convenience only and do not affect the interpretation of this agreement.
- (e) A provision of these Conditions must not be construed to the disadvantage of a party merely because that party or its advisers were responsible for the preparation of these Conditions or the inclusion of the provision in the Conditions.

1.3 **Business Days**

- (a) If anything under these Conditions must be done on a day that is not a Business Day, it must be done instead on the next Business Day.
- (b) If an act is required to be done on a particular day, it must be done before 5.00pm on that day or it will be considered to have been done on the following day.

1.4 **Parties**

- (a) If a party consists of more than one person, this agreement binds each of them separately and any two or more of them jointly.
- (b) An agreement, covenant, obligation, representation or warranty in favour of two or more persons is for the benefit of them jointly and each of them separately.
- (c) An agreement, covenant, obligation, representation or warranty on the part of two or more persons binds them jointly and each of them separately.

PART 2 THE NOTES

2. Notes

2.1 Face Value

- (a) **Class A Notes**

Class A Notes are issued with a Face Value of US\$1.00 per Class A Note.

- (b) **Class B Notes**

Class B Notes are issued with a Face Value of US\$1.00 per Class B Note.



2.2 **Aggregate Face Value**

The Aggregate Face Value of the Notes issued to the Holder as at the Issue Date in accordance with the Subscription Agreement are:

- (a) US\$3.75 million for the Class A Notes; and
- (b) US\$3.25 million for the Class B Notes.

2.3 **Currency**

Notes are denominated in United States Dollars.

2.4 **Issue Restrictions**

Notes will only be issued if the issue complies with all other applicable laws.

3. **Form**

3.1 **Constitution under the Note Deed Poll**

Notes are debt obligations of the Issuer constituted by, and owing under, the Note Deed Poll. The Notes are subject to the terms of the Note Deed Poll and the Holder is entitled to the benefit of, is deemed to have notice of, and is bound by, the provisions of the Note Deed Poll.

3.2 **Form**

Notes are issued in registered form by entry in the Register.

3.3 **Certificates**

Upon issue, the Notes will be represented by a Certificate for, and representing Notes registered in the name of the Initial Holder.

4. **Status and Ranking**

4.1 **Status**

The Notes constitute direct, unsubordinated and secured obligations of the Issuer.

4.2 **Ranking**

- (a) The Notes rank equally amongst themselves without any preference.
- (b) The obligations of the Issuer in respect of the Notes rank equally with, of all its unsecured and unsubordinated payment obligations other than obligations mandatorily preferred by law. In the event of the Issuer being wound up, the remaining assets of the Issuer will be divided equally among the Holders and other unsecured and unsubordinated creditors of the Issuer (other than creditors mandatorily preferred by law) in accordance with law.

4.3 **General**

Subject to these Conditions, the Notes confer no rights to subscribe for any new securities in the Issuer.



5. Title of Notes

5.1 Title

Title to a Note passes when details of the transfer are entered in the Register.

5.2 Effect of entries in Register

Each entry in the Register in respect of a Note constitutes:

- (a) an unconditional and irrevocable undertaking by the Issuer to the Holder to pay principal, interest and any other amount in accordance with these Conditions; and
- (b) an entitlement to the other benefits given to the Holder under these Conditions.

5.3 Register conclusive as to ownership

Entries in the Register in relation to a Note constitute conclusive evidence that the person so entered is the absolute owner of the Note (subject to correction for fraud or error).

5.4 Non-recognition of interests

Except as required by law, the Issuer must treat the person whose name is entered in the Register as the holder of a Note, as the absolute owner of that Note. This Condition 5.4 applies whether or not a Note is overdue and despite any notice of ownership, trust or interest in the Note.

5.5 Transfer of Notes

- (a) To the extent permitted by Chapter 6D of the Corporations Act without the need for disclosure to the transferee, a Holder may transfer the legal or beneficial title in all, or some only, of the Notes held by it to any person upon lodging with the Issuer a duly completed Transfer Form signed by the transferor and transferee, specifying the name and address of the transferee and the number of Notes being transferred, together with the Certificate in respect of such Notes and such evidence as the Issuer may reasonably require to provide the identity of the transferor and transferee, their respective authorities to execute and effect transfer of the Notes and that the requirements in this Condition 5.5 in relation to the transfer are satisfied.
- (b) Within 5 Business Days after receipt of a Transfer Form and accompanying documentation in accordance with Condition 5.5(a) above, the Issuer will, without charge:
 - (1) enter the transferee's name in the Register; and
 - (2) deliver a Certificate to the transferee in respect of the Notes transferred and, in the case of a partial transfer, deliver a new Certificate to the transferor for the untransferred balance of Notes.
- (c) No transfer of title to a Note is valid unless and until entered on the Register.

PART 3 INTEREST

6. Interest

6.1 Interest – Cash Interest and PIK Interest

- (a) **Interest**



Interest for each Interest Period accrues daily at the Interest Rate on the Outstanding Amount of each Note and is calculated on the actual number of days from and including the first day of the Interest Period, to but excluding, the last day of the Interest Period.

(b) **Payment**

On each Interest Payment Date, the Issuer must pay to the Holder the Interest accrued under Condition 6.1(a) in respect of each Note, in amounts equal to:

- (1) cash interest at the Cash Interest Rate; and
- (2) subject to Condition 6.1(c), PIK Interest at the PIK Interest Rate.

(c) **Capitalisation of PIK Interest**

PIK Interest payable under Condition 6.1(b)(2) in respect of the Notes will be capitalised on the applicable Interest Payment Date by increasing the Outstanding Amount of each Note in an amount equal to the PIK Interest payable in respect of that Note on that Interest Payment Date. For the avoidance of any doubt, following capitalisation of the PIK Interest, interest will then accrue on the Outstanding Amount (which will include the capitalised PIK Interest) in accordance with Condition 6.1(a).

6.2 Rounding

For the purposes of any calculations required under these Conditions:

- (a) all percentages resulting from the calculations must be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.00005 being rounded up to 0.0001);
- (b) all figures must be rounded to four decimal places (with halves being rounded up); and
- (c) all amounts that are due and payable must be rounded (with halves being rounded up) to one United States cent.

6.3 Cumulative interest

Interest ceases to accrue in respect of a Note on its Maturity Date, Conversion Date or on its Redemption Date unless:

- (a) the Issuer has failed to pay any outstanding interest in respect of the Note;
- (b) in the case of the Conversion Date, the Note is not Converted; or
- (c) in the case of the Maturity Date or Redemption Date, the Note is not redeemed,

in accordance with these Conditions, in which case interest will continue to accrue on any outstanding interest and principal amount (both before and after any demand or judgment), at the rate that was applicable to that Note immediately preceding the date that such payment was required, or Conversion or redemption was required to be effected, until the date on which the relevant payment is made, or Conversion or redemption is effected or, if earlier, the day after the date on which the Holder receives the funds (provided that notice of such circumstance is given to the Holders in accordance with Condition 16 ("Notices")) except to the extent that there is failure in the subsequent payment thereof to the relevant Holder.

PART 4 CONVERSION



7. Rights of Conversion

7.1 Mandatory Conversion

- (a) The Mandatory Conversion Notes will Convert into Shares on the Maturity Date at the Conversion Price.
- (b) For the avoidance of doubt, the number of Shares which will be issued on Conversion of each Mandatory Conversion Note will be equal to the Outstanding Amount of the Mandatory Conversion Note divided by the Conversion Price.
- (c) If any shareholder approvals are required pursuant to law or the ASX Listing Rules to permit Conversion of some or all of the Mandatory Conversion Notes pursuant to Condition 7.1(a), the Issuer must use best endeavours to obtain all such approvals.
- (d) If any of the shareholder approvals referred to Condition 7.1(c) are not obtained within two months after the Maturity Date, the Issuer must:
 - (1) Convert that number of Mandatory Conversion Notes which may be Converted without the shareholder approvals; and
 - (2) redeem the remaining Mandatory Conversion Notes for an amount equal to their aggregate Outstanding Amount,

7.2 Holder Conversion Right

Subject to the provisions of this Condition 7.2, the Holder may at its sole discretion during the Holder Conversion Period:

- (a) Convert all (or any amount) of the Class A Notes; or
- (b) Convert all (or any amount) of the Class B Notes (with the exception of the Mandatory Conversion Notes),

into Shares at the Conversion Price (**Holder Conversion Right**). For the avoidance of doubt, the number of Shares which will be issued on Conversion of a Note will be equal to the Outstanding Amount of the Note divided by the Conversion Price. If any shareholder approvals are required pursuant to law or the ASX Listing Rules to permit Conversion of a Note, the Issuer must use best endeavours to obtain all such approvals.

A Holder may exercise its Holder Conversion Right in respect of one or more Notes held by that Holder.

A Holder Conversion Right may be exercised by a Holder during the Holder Conversion Period by delivering a duly signed and completed Holder Conversion Notice to the Specified Office of the Issuer.

7.3 Effect of Notice

Any notice given under Condition 7.2 ("Holder Conversion Right") is irrevocable.

7.4 Obligations

Holder Conversion Rights shall be exercised subject in each case to any applicable fiscal or other laws or regulations. A Holder must pay directly to the relevant taxing authorities any taxes and capital, stamp, issue and registration duties arising on Conversion (other than any taxes or capital duties or stamp duties payable in Australia in respect of the allotment and issue of any Shares on such conversion) and such Holder must pay all, if any, taxes arising by reference to any disposal or deemed disposal of a Note or interest therein in connection with such conversion.



8. Conversion

8.1 Conversion

- (a) On any Conversion the Issuer will redeem the Relevant Notes concerned for an amount equal to their aggregate Outstanding Amount. In relation to each Note concerned, the Issuer will apply the whole of the Outstanding Amount in respect of the redemption of the Relevant Notes for the subscription on behalf of that Holder, for the number of Shares calculated by dividing the Outstanding Amount of the Notes being Converted by the Conversion Price. Fractions of Shares will not be issued on Conversion and no cash adjustments will be made in respect thereof. However, if more than one Note held by the same Holder is Converted at any one time, the number of Shares to be issued upon such Conversion will be calculated on the basis of the aggregate Outstanding Amount of the Notes to be Converted and rounded down to the nearest whole number of Shares provided that, in the event of a consolidation or re-classification of Shares by operation of law or otherwise occurring after the Closing Date which reduces the number of Shares outstanding, the Issuer will, upon Conversion of the Notes, pay in cash (in Australian dollars by means of an Australian dollar cheque drawn on a bank in Sydney a sum equal to such portion of the Outstanding Amount of the Note or Notes being Converted, aggregated as provided in this Condition 8.1, as corresponds to any fraction of a Share not issued as a result of such consolidation or re-classification if such sum exceeds A\$10.00. Any such sum shall be paid not later than three Business Days after the relevant Conversion Date by transfer to an Australian dollar account with a bank in Sydney.
- (b) The initial "**Conversion Price**" is A\$0.03 per Share. The Conversion Price is subject to adjustment in the circumstances described in Annexure C provided that no adjustment may be made to the Conversion Price or the Holder Conversion Period under these Conditions if to do so would contravene applicable law (including the ASX Listing Rules); and
- (c) **Acknowledgement of Holder**

The Holder irrevocably and unconditionally:

- (A) agrees and acknowledges that, immediately and automatically upon performance by the Issuer of all of its obligations under Condition 8.1(a), the application of the amount referred to in Condition 8.1(a) to subscribe for Shares and the issue (or delivery) of the Shares to the Holder in the manner described in Condition 8.1(d) is in full and final satisfaction of the Outstanding Amount payable by the Issuer in respect of its Notes as at the Conversion Date;
- (B) consents to be a member of the Issuer and agrees to be bound by the Constitution; and
- (C) agrees:
- (i) to take all necessary action to ensure that the Notes registered in its name; or
- (ii) if the Notes are registered in the name of a nominee for the Holder, to procure that the nominee takes all necessary action to ensure that the Notes registered in its name,

are delivered or transferred to the Issuer or, if requested by the Issuer, the Registrar, simultaneously with, or immediately following, the



application of the amount referred to in Condition 8.1(a) in the manner described in Condition 8.1(a).

(d) On the Conversion Date, the Issuer must issue, or otherwise deliver (or procure the issue or delivery as the case may be), to the CHESS (as defined below) account of the Holder as notified by the Holder to the Issuer, or to such other person as the Holder may direct the Issuer, in each case in writing at least 5 Business Days prior to the Conversion Date) the number of Shares for its Notes calculated in accordance with Condition 8.1(a), all of which shares are quoted on ASX and which are, on the Conversion Date, freely tradeable in the ordinary course on ASX.

(e) Unless the Issuer:

- (1) complied with ASIC Class Order 10/322 on the issue of the Notes; and
- (2) has continued to comply with the ASIC Class Order 10/322 as at the relevant Conversion Date,

then:

- (3) on each Conversion Date, the Issuer must, subject to sub-paragraph (d), provide to ASX a notice complying with section 708A(5)(e) and 708A(6) of the Corporations Act. The giving of such a notice to ASX by the Issuer will constitute a representation and warranty by the Issuer to the person to whom the Shares in question are issued on Conversion ("**Recipient**") that:
 - (A) (**Purpose**) the Shares issued on Conversion are not issued for the purpose of the person to whom those Shares are issued, selling or transferring the Shares or granting, issuing or transferring an interest in, or options over, them (even if they might otherwise be so dealt with by the Recipient and the Issuer was aware of that fact);
 - (B) (**ASIC determination**) ASIC has not made a determination under section 708A(2) of the Corporations Act in respect of the Issuer or the Shares;
 - (C) (**Quoted**) the Shares issued on Conversion are in a class of securities that have been quoted securities (as that term is defined in the Corporations Act) at all times in the 3 months before the date of the issue of the Shares on Conversion;
 - (D) (**Trading**) trading in the Shares on ASX was not suspended for more than a total of 5 days in the 12 month period referred to in sub-paragraph (iii);
 - (E) (**Exemptions**) no exemption under sections 111AS or 111AT of the Corporations Act covered the Issuer, or any person as a director or auditor of the Issuer, at any time in the 12 month period referred to in sub-paragraph (iii);
 - (F) (**Orders**) no order under sections 340 or 341 of the Corporations Act covered the Issuer, or any person as a director or auditor of the Issuer, at any time in the 12 month period referred to in sub-paragraph (iii);
 - (G) (**Chapter 2M Compliance**) as at the date of such notice the Issuer has complied with the provisions of Chapter 2M of the Corporations Act as they apply to the Issuer and section 674 of the Corporations Act; and



- (H) **(708A Compliance)** such notice complies with sections 708A(5)(e) and 708A(6) of the Corporations Act.
- (f) Unless the Issuer:
 - (1) complied with ASIC Class Order 10/322 on the issue of the Notes; and
 - (2) has continued to comply with the ASIC Class Order 10/322 as at the relevant Conversion Date,

then if, at any time during the Holder Conversion Period, the Issuer would be unable to provide to ASX a notice complying with section 708A(5)(e) and 708A(6) of the Corporations Act because it is unable to comply with the requirements of sections 708A(5)(e) and section 708A(6) of the Corporations Act (including where trading in the Shares on ASX was suspended for more than a total of 5 days in the preceding 12 month period) (for the purposes of this Condition 8.1(f), the “Trading Halt Event”):

- (3) the Issuer must, within 30 days of the Trading Halt Event, either:
 - (A) lodge with ASIC a disclosure document (as defined in the Corporations Act) that satisfies the requirements of Part 6D.2 of the Corporations Act and that will, on and from such date of lodgment allow the Shares issued under this Condition 8 to be quoted on ASX and freely tradeable in the ordinary course on ASX; or
 - (B) obtain such other relief from ASIC, and comply with the terms of such relief such that, on and from the effective date of such relief the Shares issued under this Condition 8 will be able to be quoted on ASX and freely tradeable in the ordinary course on ASX, and
- (4) if the Issuer is under an obligation to lodge a disclosure document with ASIC under sub-paragraph (3), and the Holder exercises their Holder Conversion Right such that the scheduled Conversion Date (for the purposes of this Condition 8.1(f), the “**Scheduled Conversion Date**”) would occur prior to actual lodgment then the Issuer will not be required to comply with its obligations under Condition 8.1(d) or Condition 8.1(e) on the Scheduled Conversion Date and the Notes will remain on issue until the date on which the Issuer has complied with its obligations under sub-paragraph (3) (the “**New Conversion Date**”) and, on such New Conversion Date the Issuer must issue, or otherwise deliver (or procure the issue or delivery as the case may be), to each Holder (or to such other person as the Holder may direct the Issuer in writing) the number of Shares for its Notes calculated in accordance with Condition 8.1(a), all of which shares are quoted on ASX and which are, on the New Conversion Date, freely tradeable in the ordinary course on ASX.

8.2 Issue and quotation of Shares

- (a) Without limiting its obligations under Condition 8.1(d) the Issuer must use all reasonable endeavours, and furnish all such quotation applications, documents, information and undertakings as may be reasonably necessary in order, to procure the ASX quotation referred to in Condition 8.1(d) on the Conversion Date.
- (b) Shares to be issued on Conversion will be issued in uncertificated form through the securities trading system known as the Clearing House Electronic Sub-register System operated by ASX Settlement Pty Ltd (“CHESS”) (or any successor licensed clearance and settlement facility applicable to the Shares). The Shares to be delivered through CHESS will be delivered to the account specified by the Holder exercising such Holder Conversion Right in the Holder Conversion Notice by a date which is generally expected to be not later than three Sydney business days after the relevant



Conversion Date. Statements of holdings for Shares allotted on exercise of Conversion will be dispatched by the Issuer by mail free of charge as soon as practicable but in any event within 10 Business Days after the relevant Conversion Date.

8.3 Ranking of Shares

Each Share issued on Conversion will, as from (and including) the Conversion Date, rank equally in all respects with Shares, except that it will not be entitled to any dividend or any other distribution or entitlement that has been declared or determined but not paid as at the Conversion Date.

PART 5 REDEMPTION AND PURCHASE

9. Redemption and Purchase

9.1 Scheduled Redemption of Notes

Each Note shall be redeemed by the Issuer on the Maturity Date at its Redemption Amount unless:

- (a) the Note has been previously redeemed;
- (b) the Note has been (or will be) Converted;
- (c) the Note is a Mandatory Conversion Note; or
- (d) the Note has been purchased and cancelled.

9.2 Early Redemption Events

In the event that:

- (a) the Issuer completes a Liquidity Event on or before the date on which the Class A Notes have been redeemed in full or Converted in full, then such number of the Class A Notes calculated in accordance with the following formula shall be redeemed in cash at the Redemption Amount for each such Class A Note redeemed on the date being 10 Business Days after the date of completion of the relevant Liquidity Event:

$$A = B/C$$

Where:

- A = the number of Class A Notes to be redeemed, which number is, despite anything else in this Condition, is limited to a maximum of the number of Class A Notes on issue immediately prior to the relevant Redemption Date;
- B = the proceeds of the Liquidity Event received by the Issuer net of any costs of the Liquidity Event (including without limitation, financial advisory, success fees, legal, accounting and tax fees);
- C = the Outstanding Amount of the Class A Notes on issue immediately prior to the relevant Redemption Date;



9.3 Multiple Liquidity Events

For the avoidance of doubt, in the event that more than one Liquidity Event completes on or before the date on which the Class A Notes have been redeemed in full or Converted in full, the provisions of Condition 9.2 will apply to the second and any subsequent Liquidity Event.

PART 6 PAYMENTS

10. Payments

10.1 Payments subject to law

- (a) All payments are subject to applicable law but without prejudice to the provisions of Condition 11 ("Taxation").

10.2 Payments on Business Days

If a payment:

- (a) is due on an Note on a day which is not a Business Day then the due date for payment will be adjusted in accordance with the Following Business Day Convention; or
- (b) is to be made to an account on a Business Day on which banks are not open for general banking business in the place in which the account is located, then the due date for payment will be the first following day on which banks are open for general banking business in that place,

and in either case, the Holder is not entitled to any additional payment in respect of that delay.

10.3 Currency indemnity

The Issuer waives any right it has in any jurisdiction to pay an amount other than in the currency in which it is due. However, if a Holder receives an amount in a currency other than the currency in which it is due:

- (a) it may convert the amount received into the due currency (even though it may be necessary to convert through a third currency to do so) on the day and at such rates (including spot rate, same day value rate or value tomorrow rate) as it reasonably considers appropriate. It may deduct its usual costs in connection with the conversion; and
- (b) the Issuer satisfies its obligation to pay in the due currency only to the extent of the amount of the due currency obtained from the conversion after deducting the costs of the conversion.

10.4 Payment of principal

Subject to Condition 10.7 ("Payments by cheque), payments of principal will be made to each person registered at 10.00 am on the Payment Date as the holder of an Note.

10.5 Payment of interest

Payments of interest in respect of a Note will be made on the Payment Date to each person registered at the close of business on the Record Date as the holder of that Note.



10.6 **Payments to accounts**

Payments in respect of Notes will be made by crediting on the Payment Date, the amount then due under each Note to an account in the country of the currency in which the Note is denominated previously notified by the Holder to the Issuer and, in the case of interest payable on a Conversion Date, to the account notified to the Issuer in an applicable Holder Conversion Notice.

10.7 **Payments by cheque**

If a Holder has not notified the Issuer of an account to which payments to it must be made by the close of business on the Record Date, payments in respect of the Note will be made by cheque sent by prepaid post on the Business Day immediately before the Payment Date, at the risk of the registered Holder, to the Holder (or to the first named joint holder of the Note) at its address appearing in the Register at the close of business on the Record Date. Cheques sent to the nominated address of a Holder will be taken to have been received by the Holder on the Payment Date and no further amount will be payable by the Issuer in respect of the Notes as a result of the Holder not receiving payment on the due date.

10.8 **Time limit for claims**

A claim against the Issuer for a payment under an Note is void unless made within 10 years (in the case of principal) or 5 years (in the case of interest and other amounts) from the date on which payment first became due.

11. **Taxation**

11.1 **No set-off, counterclaim or deductions**

All payments in respect of the Notes must be made in full without set-off or counterclaim, and without any withholding or deduction in respect of Taxes, unless prohibited by law.

11.2 **Withholding tax**

Subject to Condition 11.3 (“Withholding tax exemptions”), if a law requires the Issuer to withhold or deduct an amount in respect of Taxes from a payment in respect of the Notes such that the Holder would not actually receive on the due date the full amount provided for under the Notes, then:

- (a) the Issuer agrees to deduct the amount for the Taxes (and any further withholding or deduction applicable to any further payment due under paragraph (b) below), remit such amount to the relevant authority and provide proof of payment to the Holder; and
- (b) if the amount deducted or withheld is in respect of Taxes imposed by a Relevant Tax Jurisdiction, the amount payable is increased so that, after making the deduction and further deductions applicable to additional amounts payable under this Condition, each Holder is entitled to receive (at the time the payment is due) the amount it would have received if no deductions or withholdings had been required to be made.

11.3 **Withholding tax exemptions**

No Additional Amounts are payable under Condition 11.2(b) (“Withholding tax”) in respect of any Note:

- (a) to, or to a third party on behalf of, a Holder who is liable to such Taxes in respect of such Note by reason of the person having some connection with a Relevant Tax Jurisdiction other than the mere holding of such Note or receipt of payment in respect of the Note provided that a Holder shall not be regarded as having a connection with Australia for the reason that the Holder is a resident of Australia within the meaning of



the Australian Tax Act where, and to the extent that, such taxes are payable by reason of section 128B(2A) of the Australian Tax Act;

- (b) to, or to a third party on behalf of, a Holder who could lawfully avoid (but has not so avoided) such Taxes by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or similar case for exemption to any tax authority;
- (c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Union Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (d) to, or to a third party on behalf of an Australian resident Holder or a non-resident Holder carrying on business in Australia at or through a permanent establishment of the non-resident in Australia, if the Holder has not supplied an appropriate tax file number, an Australian business number or other exemption details.

11.4 Tax indemnity

Where a Holder suffers a loss, liability or cost for or on account of Tax in respect of a Note that was not compensated under clause 11.2 (other than because of an exception in clause 11.3), the Issuer shall upon demand by the Holder pay to the Holder an amount equal to such loss, liability or cost.

PART 7 UNDERTAKINGS

12. Undertakings

12.1 General undertakings

Whilst any Note remains outstanding, the Issuer will, save with the prior written approval of the Holder:

- (a) issue, allot, register and deliver Shares on exercise of a Holder Conversion Right in accordance with these Conditions;
- (b) not issue or pay up any Securities, in either case by way of capitalisation of profits or reserves, other than:
 - (1) by the issue of fully paid Shares to Shareholders and other holders of shares in the capital of the Issuer which by their terms entitle the holders thereof to receive Shares;
 - (2) by the issue of Shares paid up in full (in accordance with applicable law) and issued wholly, ignoring fractional entitlements, in lieu of the whole or part of a cash dividend;
 - (3) by the issue of fully paid equity share capital (other than Shares) to the holders of equity share capital of the same class and other holders of shares in the capital of the Issuer which by their terms entitle the holders thereof to receive equity share capital (other than Shares); or
 - (4) by the issue of any equity share capital to, or for the benefit of, any employee or former employee, director or executive holding or formerly holding executive



office whether of the Issuer or any of its Subsidiaries or any associated company or to trustees or nominees to be held for the benefit of any such person, in any such case pursuant to an employee, director or executive share or option scheme whether for all employees, directors, or executives or any one or more of them,

unless, in any such case, the same constitutes a Dividend or otherwise gives rise (or would, but for the provisions of paragraph 5 of Annexure C relating to the carry forward of adjustments, give rise) to an adjustment to the Conversion Price;

- (c) not make any issue, grant or distribution or any other action taken if the effect thereof would be that, on the exercise of a Holder Conversion Right, Shares could not, under any applicable law then in effect, be legally issued as fully paid;
- (d) not reduce its issued share capital, or any uncalled liability in respect thereof, or any non-distributable reserves, except:
 - (1) pursuant to the terms of issue of the relevant share capital;
 - (2) by means of a purchase or redemption of share capital of the Issuer to the extent permitted by applicable law;
 - (3) by way of transfer to reserves as permitted under applicable law;
 - (4) where the reduction is permitted by applicable law and the Issuer is advised by an Independent Financial Adviser, acting as expert, that the interests of the Holders will not be materially prejudiced by such reduction; or
 - (5) where the reduction is permitted by applicable law and results in (or would, but for the provisions of paragraph 5 of Annexure C relating to the carry forward of adjustments, result in) an adjustment to the Conversion Price,

provided that, without prejudice to the other provisions of these Conditions, the Issuer may exercise such rights as it may from time to time enjoy pursuant to applicable law to purchase its Shares and any depositary or other receipts or certificates representing Shares without the consent of Holders;

- (e) if any offer is made to all (or as nearly as may be practicable all) Shareholders (or all (or as nearly as may be practicable all) Shareholders other than the offeror and/or any associate (as defined in section 12 of the Corporations Act) of the offeror) to acquire the whole or any part of the issued ordinary share capital of the Issuer, or if any person proposes a scheme of arrangement with regard to such acquisition, give notice of such offer or scheme to the Holders at the same time as any notice thereof is sent to the Issuer's Shareholders (or as soon as practicable thereafter) that details concerning such offer or scheme may be obtained from the Specified Office of the Issuer and, where such an offer or scheme has been recommended by the Board of Directors of the Issuer, or where such an offer has become or been declared unconditional in all respects, use all reasonable endeavours to procure that a like offer or scheme is extended to the holders of any Shares issued during the period of the offer or scheme;
- (f) ensure that the Shares issued upon exercise of a Holder Conversion Right:
 - (1) will be granted, as soon as is practicable, official quotation by the ASX;
 - (2) will be listed, quoted or dealt in, as soon as is practicable, on any other stock exchange or securities market on which the Shares may then be listed or quoted or dealt in;



- (3) are free from any encumbrance;
- (4) are transferrable in Australia without any requirement for disclosure to investors under Part 6D.2 of the Corporations Act in accordance with ASIC Class Order [CO 10/322];
- (g) comply with each of the requirements of section 708A(12C) and 708A(12E) of the Corporations Act as inserted by ASIC Class Order [CO 10/322];
- (h) not all allow or permit any modification, abrogation, variation or compromise of, or arrangement in respect of, the rights of the Holders against the Issuer whether or not such rights arise under these Conditions;
- (i) not undertake or permit any modification of this deed poll, the Notes or the Constitution or any variation (whether directly or indirectly) to the rights attached to any Shares or other Securities issued by the Issuer where such variation is reasonably likely to have an adverse effect on the Notes or the rights of Holders;
- (j) procure that it shall not become domiciled or resident in or subject generally to the taxing authority of any jurisdiction (other than the Commonwealth of Australia) unless the Issuer would not thereafter be required pursuant to then current laws and regulations to withhold or deduct for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of such jurisdiction or any political subdivision thereof or therein having power to tax in respect of any payment on or in respect of the Notes; and
- (k) in the event of a Newco Scheme, the Issuer shall take (or shall procure that there is taken) all necessary action to ensure that immediately upon completion of the scheme of arrangement, at its option, either:
 - (1) Newco is substituted under the Notes and the Note Deed Poll as principal debtor in place of the Issuer or Newco becomes a guarantor under the Notes and the Note Deed Poll and, in either case, that such other adjustments are made to these Conditions and the Note Deed Poll to ensure that the Notes may be converted into or exchanged for ordinary shares of Newco mutatis mutandis in accordance with and subject to these Conditions and the Note Deed Poll; or
 - (2) such amendments are made to these Conditions and the Note Deed Poll as are necessary, in the opinion of the Issuer, to ensure that the Notes may be converted into or exchanged for ordinary shares in Newco mutatis mutandis in accordance with and subject to these Conditions and the Note Deed Poll.

PART 8 EVENTS OF DEFAULT

13. Events of Default

13.1 Events of Default

Subject to Condition 13.1(b), each of the following is an Event of Default:

- (a) **(failure to pay)** the Issuer fails to:
 - (1) pay any amount of principal when due and payable; or



- (2) pay any amount of interest when due and payable and that failure is not remedied within five days of the Issuer being notified of or becoming aware of that failure;
- (b) **(failure to convert)** the Issuer does not comply with its obligations under Condition 8 and the Issuer does not remedy the non-compliance within 5 days;
- (c) **(undertaking breach)** the Issuer does not comply with any other material undertaking, obligation, condition or agreement expressed in any Transaction Document and, if capable of remedy, the Issuer does not remedy the non-compliance within 15 days after a Holder gives the Issuer a notice specifying the non-compliance and requiring its remedy;
- (d) **(misrepresentation)** any representation, warranty or statement of the Issuer under a Transaction Document is incorrect in any respect or misleading or deceptive or likely to mislead or deceive when made or repeated and, if capable of remedy, the Issuer does not remedy the circumstances giving rise to the representation, warranty or statement being misleading within 15 days of the representation, warranty or statement having been made;
- (e) **(insolvency related events):**
 - (1) an order is made or an effective resolution is passed for the Winding-Up of the Issuer or any of its Material Subsidiary other than under or in connection with a scheme of amalgamation or reconstruction not involving a bankruptcy or insolvency where the obligations of the Issuer in relation to the outstanding Notes are assumed by the successor entity to which all, or substantially all of the property, assets and undertaking of the Issuer are transferred or where an arrangement with similar effect not involving a bankruptcy or insolvency is implemented (a “Solvent Reconstruction”);
 - (2) the Issuer or its Material Subsidiary ceases (or threatens to cease) to carry on all or substantially all of its business other than under or in connection with a Solvent Reconstruction;
 - (3) an encumbrancer takes possession of, or a receiver is appointed to, the whole or any substantial part of the assets or undertaking of, or an administrator, liquidator, receiver, receiver and manager or other controller (as defined in the Corporations Act) is appointed to, the Issuer or its Material Subsidiary or a distress or execution is levied or enforced upon, or sued out against any substantial part of the assets or undertaking of the Issuer, and is not removed, paid out or otherwise discharged within 30 days unless the same is being contested in good faith; or
 - (4) the Issuer or its Material Subsidiary is unable to pay its debts as and when they fall due;
- (f) **(cross default)** any Indebtedness of the Issuer or of its Material Subsidiary in an amount in excess of \$1,000,000 is accelerated and becomes due and payable before the scheduled date for payment; or

13.2 Restrictions on action

The rights of the Holder to take action against the Issuer upon the occurrence of an Event of Default are subject to the restrictions set out in the Transaction Documents.

PART 9 – GENERAL



14. Variation

14.1 Variation with consent

Unless Condition 14.2 (“Variation without consent”) applies, any Condition may be varied with the prior written consent of the Holder.

14.2 Variation without consent

Any Condition may be amended without the consent of the Holders if the amendment:

- (a) is of a formal, minor or technical nature;
- (b) is made to correct a manifest error;
- (c) is made to cure any ambiguity or correct or supplement any defective or inconsistent provision and, in the reasonable opinion of the Issuer, is not materially prejudicial to the interests of the Holders; or
- (d) only applies to Notes issued after the date of amendment.

15. Further issues

The Issuer may from time to time, without the consent of the Holders, issue further Notes having the same Conditions as the Notes in all respects (or in all respects except for the first payment of interest, if any, on them) so as to form a single series with the Notes.

16. Notices

16.1 Notices to Holder

All notices and other communications to the Holders must be in writing and sent by prepaid post (airmail if appropriate) to or left at the address of the Holder (as shown in the Register at the close of business on the day which is three Business Days before the date of the notice or communication) Notices to the Issuer

All notices and other communications to the Issuer must be in writing and may be sent by prepaid post (airmail if appropriate) to or left at the Specified Office of the Issuer.

16.2 When effective

Notices and other communications take effect from the time they are taken to be received unless a later time is specified in them.

16.3 Deemed receipt - postal

If sent by post, notices or other communications are taken to be received three days after posting (or seven days after posting if sent to or from a place outside Australia).

16.4 Deemed receipt - general

Despite Condition 16.3 (“Deemed receipt - postal”), if notices or other communications are received after 5.00 pm in the place of receipt or on a non-Business Day, they are taken to be received at 9.00 am on the next Business Day.

16.5 Copies of notices

If these Conditions require a notice or other communication to be copied to another person, a failure to so deliver the copy will not invalidate the notice or other communication.



17. Governing law

17.1 Governing law

Notes are governed by the law in force in Queensland.

17.2 Jurisdiction

The Issuer submits, and each Holder is taken to have submitted, to the non-exclusive jurisdiction of the courts of New South Wales and courts of appeal from them. The Issuer waives any right it has to object to an action being brought in those courts including by claiming that the action has been brought in an inconvenient forum or that those courts do not have jurisdiction.

17.3 Serving documents

Without preventing any other method of service, any document in any action may be served on the Issuer or a Holder by being delivered or left at the person's registered office or principal place of business.



ANNEXURE A – FORM OF HOLDER CONVERSION NOTICE



ANNEXURE B – FORM OF TRANSFER FORM



ANNEXURE C – ADJUSTMENTS TO CONVERSION PRICE

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ANNEXURE C

Adjustments to Conversion Price

Defined terms used in this Annexure C have the meaning given in the Conditions.

Calculation means in respect of each of the events described below, the calculation to be used to adjust the Conversion Price.

Worked Examples means in respect of each of the events described below, the illustrative example of the use of the relevant Calculation.

All Worked Examples used in this Annexure C are for illustrative purposes only. In the event of an inconsistency between the Worked Example and the Calculation, the Calculation shall prevail.

1. Adjustments

Upon the happening of any of the events described below, the Conversion Price shall be adjusted as follows:

- (a) (**Consolidation, reclassification, subdivision**) If and whenever there shall be a consolidation, reclassification or subdivision in relation to the Shares, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such consolidation, reclassification or subdivision by the following fraction:

$$\frac{A}{B}$$

where:

A = the aggregate number of Shares on issue immediately before such consolidation, reclassification or subdivision, as the case may be; and

B = the aggregate number of Shares on issue immediately after, and as a result of, such consolidation, reclassification or subdivision, as the case may be.

Such adjustment shall become effective on the date the consolidation, reclassification or subdivision, as the case may be, takes effect.

Worked example

A = Number of shares on issue prior to consolidation: 1,164,150,159

Conversion Price prior to consolidation: \$0.03

Assumptions: Share consolidation of 4:1.

B = Number of shares on issue post consolidation: 291,037,540

Adjustment: (1,164,150,159 / 291,037,540) = 4

Conversion price post adjustment consolidation: \$0.03 * 4 = \$0.12

- (b) (**Capitalisation of profits or reserves**) If and whenever the Issuer shall issue any Shares credited as fully paid to the Shareholders by way of capitalisation

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of profits or reserves (including any share premium account or capital redemption reserve) other than (1) where any such Shares issued instead of the whole or part of a cash Dividend which the Shareholders would or could otherwise have received or (2) where the Shareholders may elect to receive a cash Dividend in lieu of such Shares, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue by the following fraction:

$$\frac{A}{B}$$

where:

A = the aggregate nominal amount of the issued Shares immediately before such issue; and

B = the aggregate nominal amount of the issued Shares immediately after such issue.

Such adjustment shall become effective on the date of issue of such Shares.

Worked example

Conversion price prior to share issue: \$0.03

Assumptions:

Bonus issue (i.e. shares issued for no consideration) of 0.5 new shares per 1 share held.

Formula:

A = Number of shares on issue prior to the share issue announcement:
1,164,150,159

Number of bonus issue shares: 582,075,080

B = Number of shares on issue after the bonus issue: 1,746,225,239

Adjustment: 1,164,150,159 / 1,746,225,239 = 0.667

Conversion price adjustment: \$0.03 * 0.667 = \$0.02

- (c) **(Capital distributions)** If and whenever the Issuer shall pay or make any Dividend to the Shareholders, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the relevant Dividend by the following fraction:

$$\frac{A - B}{A}$$

where:

A = the Current Market Price of one Share on the dealing day immediately preceding the date of the first public announcement of the relevant Dividend or, in the case of a purchase of Shares or any receipts or certificates representing shares by or on behalf of the Issuer or any Subsidiary of the Issuer, on which such Shares are purchased or, in the case of a Spin-Off, is the mean of the Volume Weighted Average Prices (VWAP) of a Share for the ten consecutive dealing days ending on the dealing day immediately preceding the first date on which the Shares are traded ex- the relevant Spin-Off; and



B = the portion of the Fair Market Value, with such portion being determined by dividing the Fair Market Value of the aggregate Dividend by the number of Shares entitled to receive the relevant Dividend of which such Dividend forms part (or, in the case of a purchase of Shares or any receipts or certificates representing shares by or on behalf of the Issuer or any Subsidiary of the Issuer, by the number of Shares in issue immediately prior to such purchase), of the Dividend attributable to one Share.

Market Capitalisation means, on any date, the product of (i) the Current Market Price and (ii) the number of Shares issued by the Issuer.

The **Relevant Period** means the period beginning on the first dealing day after the record date for the first dividend aggregated in the total current dividends, and ending on the dealing day immediately preceding the record date for the Dividend which caused the adjustment to the Conversion Price pursuant to this paragraph 1(c). However, if there were no dividends declared during the 365 consecutive day period prior to the record date for the dividend which caused the adjustment to the Conversion Price pursuant to this paragraph 1(c), the relevant period will be the entire period of 365 consecutive days.

Such adjustment shall become effective on the date on which such Dividend is paid or made or, in the case of a purchase of Shares or any receipts or certificates representing Shares, on the date such purchase is made or, in any such case if later, the first date upon which the Fair Market Value of the Dividend is capable of being determined as provided herein.

For the purposes of the above, the Fair Market Value of a Dividend shall (subject as provided in paragraph (a) of the definition of "Dividend" and in the definition of "Fair Market Value") be determined as at the date of the first public announcement of the relevant Dividend, and in the case of a Spin-Off, the fair market value of the relevant Dividend shall be the Fair Market Value of the relevant Spin-Off Securities or, as the case may be, the relevant property or assets.

Worked example

DIVIDEND REINVESTMENT PLAN

Conversion price prior to share issue: \$0.03

Assumptions:

Dividend: \$0.01 per share

Current share price at on dealing day preceding first date ex is \$0.02

Right to participate in a dividend reinvestment plan (that is to be issued new Shares) in relation to some or all of the Dividend

Formula:

A = Current Market Price (which is a ten consecutive dealing day VWAP) of one Share on the dealing day immediately preceding the first date on which the Shares are traded ex-dividend: \$0.02

B = Fair Market Value (on the dealing day immediately preceding the first date on which the Shares are traded ex-rights, ex-options or ex-warrants on ASX) of the portion of the rights attributable to one Share: \$0.01

Adjustment: $(\$0.02 - \$0.01) / \$0.02 = 0.5$

Conversion price adjustment: $\$0.03 * 0.5 = \0.015

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- (d) **(Rights issues of shares)** If and whenever the Issuer shall issue Shares to Shareholders as a class by way of rights, or issue or grant to Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase any Shares, in each case at a price per Share which is less than 85 per cent. of the Current Market Price per Share on the dealing day immediately preceding the date of the first public announcement of the terms of the issue or grant of such Shares, options, warrants or other rights, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = the number of Shares on issue immediately before such announcement;

B = the number of Shares which the aggregate consideration (if any) receivable for the Shares issued by way of the rights issue or for the options or warrants or other rights issued by way of the rights issue and for the total number of Shares deliverable on the exercise thereof, would purchase at such Current Market Price per Share; and

C = the number of Shares issued or, as the case may be, the maximum number of Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights.

Such adjustment shall become effective on the first date on which the Shares are issued or, where issued by way of a rights issue, where first traded ex-rights, ex-options or ex-warrants on the ASX.

Worked example

RIGHTS ISSUE

Conversion price prior to share issue: \$0.03

Assumptions:

Share issue of 2 shares for every 1 share held.

Current Market Price (being the 10 consecutive dealing day VWAP) at date of announcement is \$0.02.

Price for each share under the share issue is 50% of the current share price, therefore at \$0.01.

Assume every holder elects to take up the share issue. Therefore total number of additional new shares is 2,328,300,318.

Formula:

A = Number of shares on issue prior to share issue announcement:
1,164,150,159

B = Number of shares aggregate consideration: (2,328,300,318 * \$0.01)
= \$23,283,003.18, which at the Current Market Price of \$0.02 would purchase 1,164,150,159 shares.

C = Maximum number of shares that could be issued: 2,328,300,318

Adjustment: (1,164,150,159 + 1,164,150,159) / (1,164,150,159 + 2,328,300,318) = 0.667

Conversion price adjustment: (0.03 * 0.667) = \$0.02

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- (e) **(Placement)** If and whenever the Issuer shall issue Shares to investors by way of placement with an issue price for each Share of less than \$0.03, or grant to investors for the purposes of raising capital any options, warrants or other rights to subscribe for or purchase any Shares (excluding any issue of performance rights or executive options to directors, officers or employees of the Issuer) at a price of less than \$0.03, the Conversion Price of the Mandatory Conversion Notes shall be adjusted by multiplying the Conversion Price of the Mandatory Conversion Notes in force immediately prior to such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = the number of Shares on issue immediately before such announcement;

B = the number of Shares which the aggregate consideration (if any) receivable for the Shares issued by way of the placement, or for the options or warrants or other rights issued by way of the placement (excluding any performance rights or executive options issued to directors, officers or employees of the Issuer) and for the total number of Shares deliverable on the exercise thereof, would purchase at such Current Market Price per Share; and

C = the number of Shares issued or, as the case may be, the maximum number of Shares which may be issued upon exercise of such options, warrants or rights (excluding any performance rights or executive options issued to directors, officers or employees of the Issuer) calculated as at the date of issue of such options, warrants or rights.

Such adjustment shall become effective on the first date on which the Shares are issued.

Worked example

Conversion price of the Mandatory Conversion Notes prior to share issue: \$0.03

Assumptions

Number of shares that can be issued under a placement: 150,000,000

Current Market Price (being the 10 consecutive Dealing Day VWAP) at date of announcement is \$0.02

Price for each share under the placement is 50% of the current share price, therefore at \$0.01.

Assume all shares that can be issued under the placement are issued, the number of additional new shares is 150,000,000

Formula:

A = Number of shares on issue prior to the share issue announcement: 1,164,150,159

B = Number of shares aggregate consideration: (150,000,000 * \$0.01) = \$1,500,000 at the announcement price \$0.02 would purchase 75,000,000 shares.

C = Maximum number of shares that could be issued: 150,000,000

Adjustment: (1,164,150,159 + 75,000,000) / (1,164,150,159 + 150,000,000) = 0.943



Conversion price adjustment of the Mandatory Conversion Notes: $(0.03 \times 0.943) = \$0.028$

- (f) **(Rights issues of other securities)** If and whenever the Issuer shall issue any Securities (other than Shares or options, warrants or other rights to subscribe for or purchase any Shares) to Shareholders as a class by way of rights or grant to Shareholders as a class by way of rights any options, warrants or other rights to subscribe for or purchase any Securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

where:

A = the Current Market Price of one Share on the dealing day immediately preceding the first date on which the terms of such issue or grant are publicly announced; and

B = the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the first date on which the Shares are traded ex-rights, ex-options or ex-warrants on the ASX.

Worked example

Conversion price prior to share issue: \$0.03

Assumptions:

Option issue of 1 option for every 1 share held.

Current share price at on dealing day preceding first date ex is \$0.02.

Formula:

A = Current Market Price (which is a ten consecutive dealing day VWAP) of one Share on the dealing day immediately preceding the first date on which the Shares are traded ex-rights, ex-options or ex-warrants on ASX: \$0.02

B = Fair Market Value (on the Dealing Day immediately preceding the first date on which the Shares are traded ex-rights, ex-options or ex-warrants on ASX) of the portion of the rights attributable to one Share: \$0.01

Adjustment: $(0.02 - 0.01) / 0.02 = 0.5$

Conversion price adjustment: $(0.03 * 0.5) = \$0.015$

- (g) **(Modification of rights of conversion etc.)** If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such Securities (other than the Notes) other than in accordance with the terms (including terms as to adjustment applicable to such Securities upon issue) so that following such modification the consideration per Share receivable has been reduced and is less than 85 per cent. of the Current Market Price per Share on the dealing day immediately preceding the date of the first public announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the

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Conversion Price in force immediately prior to such modification by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = the number of Shares in issue immediately before such modification (but where the relevant Securities carry rights of conversion into or rights of exchange or subscription for Shares which have been issued, purchased or acquired by the Issuer or any Subsidiary of the Issuer (or at the direction or request or pursuant to any arrangements with the Issuer or any Subsidiary of the Issuer) for the purposes of or in connection with such issue, less the number of such Shares so issued, purchased or acquired);

B = the number of Shares which the aggregate consideration (if any) receivable for the Shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription attached to the Securities so modified would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange or subscription price of such Securities; and

C = the maximum number of Shares which may be issued or otherwise made available upon conversion or exchange of such Securities or upon the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as an Independent Financial Adviser shall consider appropriate for any previous adjustment under this paragraph 1(f).

Provided that if at the time of such modification (as used in this paragraph 1(f) the "Specified Date") such number of Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time (which may be when such Securities are converted or exchanged or rights of subscription are exercised or at such other time as may be provided) then for the purposes of this paragraph 1(f), "C" shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such conversion, exchange or subscription had taken place on the Specified Date.

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such Securities.

- (h) **(Other offers to shareholders)** If and whenever the Issuer or any Subsidiary of the Issuer or (at the direction or request of or pursuant to any arrangements with the Issuer or any Subsidiary of the Issuer) any other company, person or entity shall offer any Securities in connection with which Shareholders as a class are entitled to participate in arrangements whereby such Securities may be acquired by them (except where the Conversion Price falls to be adjusted under paragraphs (1(b), 1(c) and 1(d) (or would fall to be so adjusted if the relevant issue or grant was at less than 85 per cent. of the Current Market Price per Share on the relevant dealing day) or under paragraph 1(e) above) the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the making of such offer by the following fraction:

$$\frac{A - B}{A}$$

where:

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A = the Current Market Price of one Share on the dealing day immediately preceding the date on which the terms of such offer are first publicly announced; and

B = the Fair Market Value on the date of such announcement of the portion of the relevant offer attributable to one Share.

Such adjustment shall become effective on the first date on which the Shares are traded ex-rights on the ASX.

<p><u>Worked example</u></p> <p>Conversion price prior to share issue: \$0.03</p> <p>OPTION ISSUE</p> <p>Assumptions:</p> <p>Option issue of 1 option for every 1 share held.</p> <p>Current share price at on Dealing Day precedent first date ex is \$0.02.</p> <p>Formula:</p> <p>A = Current Market Price (which is a ten consecutive dealing day VWAP) of one Share on the dealing day immediately preceding the first date on which the Shares are traded ex-rights, ex-options or ex-warrants on ASX: \$0.02</p> <p>B = Fair Market Value (on the dealing day immediately preceding the first date on which the Shares are traded ex-rights, ex-options or ex-warrants on ASX) of the portion of the rights attributable to one Share: \$0.005</p> <p>Adjustment: $(0.02 - 0.005) / 0.02 = 0.75$</p> <p>Conversion price adjustment: $(0.03 * 0.75) = \\$0.0225$</p> <p>RIGHTS ISSUE (WHERE PARAGRAPH 1(d) OR PARAGRAPH 1(e) DOES NOT APPLY)</p> <p>Conversion price prior to share issue: \$0.03</p> <p>Assumptions:</p> <p>Share issue of 2 shares for every 1 share held.</p> <p>Current share price at on dealing day precedent first date ex is \$0.02.</p> <p>Offer Price: \$0.01</p> <p>Formula:</p> <p>A = Current Market Price (which is a ten consecutive dealing day VWAP) of one Share on the dealing day immediately preceding the first date on which the Shares are traded ex-rights, ex-options or ex-warrants on ASX: \$0.02</p> <p>B = Fair Market Value (on the dealing ay immediately preceding the first date on which the Shares are traded ex-rights, ex-options or ex-warrants on ASX) of the portion of the rights attributable to one Share: \$0.015</p> <p>Adjustment: $(0.02 - 0.015) / 0.02 = 0.25$</p> <p>Conversion price adjustment: $(0.03 * 0.25) = \\$0.0075$</p>
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Notwithstanding the foregoing provisions, where the events or circumstances giving rise to any adjustment pursuant to this Annexure have already resulted or will result in an adjustment to the Conversion Price or where the events or circumstances giving rise to any adjustment arise by virtue of any other events or circumstances which have already given or will give rise to an adjustment to the Conversion Price or where

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more than one event which gives rise to an adjustment to the Conversion Price occurs within such a short period of time that, in the opinion of the Issuer, a modification to the operation of the adjustment provisions is required to give the intended result, such modification shall be made to the operation of the adjustment provisions as may be advised by an Independent Financial Adviser to be in its opinion appropriate to give the intended result and provided further that, for the avoidance of doubt, the issue of Shares pursuant to the exercise of Conversion Rights shall not result in an adjustment to the Conversion Price.

For the purpose of any calculation of the consideration receivable or price pursuant to paragraphs 1(d) and 1(f), the following provisions shall apply:

- (A) the aggregate consideration receivable or price for Shares issued for cash shall be the amount of such cash;
- (B) (x) the aggregate consideration receivable or price for Shares to be issued or otherwise made available upon the conversion or exchange of any Securities shall be deemed to be the consideration or price received or receivable for any such Securities and (y) the aggregate consideration receivable or price for Shares to be issued or otherwise made available upon the exercise of rights of subscription attached to any Securities or upon the exercise of any options, warrants or rights shall be deemed to be that part (which may be the whole) of the consideration or price received or receivable for such Securities or, as the case may be, for such options, warrants or rights which are attributed by the Issuer to such rights of subscription or, as the case may be, such options, warrants or rights or, if no part of such consideration or price is so attributed, the Fair Market Value of such rights of subscription or, as the case may be, such options, warrants or rights as at the date of the first public announcement of the terms of issue of such Securities or, as the case may be, such options, warrants or rights, plus in the case of each of (x) and (y) above, the additional minimum consideration receivable or price (if any) upon the conversion or exchange of such Securities, or upon the exercise of such rights or subscription attached thereto or, as the case may be, upon exercise of such options, warrants or rights and (z) the consideration receivable or price per Share upon the conversion or exchange of, or upon the exercise of such rights of subscription attached to, such Securities or, as the case may be, upon the exercise of such options, warrants or rights shall be the aggregate consideration or price referred to in (x) or (y) above (as the case may be) divided by the number of Shares to be issued upon such conversion or exchange or exercise at the initial conversion, exchange or subscription price or rate;
- (C) if the consideration or price determined pursuant to (a) or (b) above (or any component thereof) shall be expressed in a currency other than Australian dollars it shall be converted into Australian dollars at such rate of exchange as published by the Reserve Bank of Australia on the date of the first public announcement of the terms of issue of such Securities (or if no such rate is available on that date, the equivalent rate on the immediately preceding date on which such rate is available); and
- (D) in determining consideration or price pursuant to the above, no deduction shall be made for any commissions or fees

(howsoever described) or any expenses paid or incurred for any underwriting, placing or management of the issue of the relevant Shares or Securities or otherwise in connection therewith.

2. Retroactive Adjustments

If the Conversion Date in relation to any Note shall be after the record date for any such issue, distribution, grant or offer (as the case may be) as is mentioned in paragraphs 1(b), 1(c), 1(d) and 1(e), a "Retroactive Adjustment"), the Issuer shall (conditional upon the relevant adjustment becoming effective) procure that there shall be issued to the converting Holder, in accordance with the instructions contained in the Conversion Notice, such additional number of Shares (if any) (the "Additional Shares") as, together with the Shares issued or to be issued on conversion of the relevant Note (together with any fraction of a Share not so issued), is equal to the number of Shares which would have been required to be issued on conversion of such Note if the relevant adjustment (more particularly referred to in the said provisions of paragraph 1) to the Conversion Price had in fact been made and become effective immediately after the relevant record date.

3. Decision of an Independent Financial Adviser

If any doubt shall arise as to the appropriate adjustment to the Conversion Price, and following consultation between the Issuer and an Independent Financial Adviser, a written opinion of such Independent Financial Adviser in respect of such adjustment to the Conversion Price shall be conclusive and binding on all concerned, save in the case of manifest or proven error.

4. Employees' Share Schemes

No adjustment will be made to the Conversion Price where Shares or other Securities (including rights, warrants and options) are issued, offered, exercised, allotted, appropriated, modified or granted to, or for the benefit of, employees or former employees (including Directors holding or formerly holding executive office or the personal service company of any such person) or their spouses or relatives (for the purposes of this paragraph 4, the "**Employee Shares**"), in each case, of the Issuer or any of its Subsidiaries or any associated company or to trustees to be held for the benefit of any such person, in any such case pursuant to any employees' share or option or performance right scheme provided that an adjustment will be made if the total aggregate value of Employee Shares issued at any time while the Notes are outstanding is no more than 7.5% of the Fair Market Value of the Shares on issue. If a total aggregate of more than 7.5% are so issued, an appropriate adjustment will be made to the Conversion Price by an Independent Financial Adviser in its sole discretion though following consultation with the Issuer, and such adjustment to the Conversion Price shall be conclusive and binding on all concerned, save in the case of manifest or proven error.

5. Rounding Down and Notice of Adjustment to the Conversion Price

On any adjustment, the resultant Conversion Price, if not an integral multiple of A\$0.01, shall be rounded down to the nearest whole multiple of A\$0.01. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than 1 per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and/or any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time.

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Notice of any adjustments to the Conversion Price shall be given to Holders in accordance with Condition 16 promptly after the determination thereof.

6. Relevant Event

Following the occurrence of any of the event described in Paragraph 1 above (**Relevant Event**), the Issuer shall give notice thereof to the Holders in accordance with Condition 16 (for the purposes of this paragraph 6, a “**Relevant Event Notice**”) within 14 days of the first day on which it becomes so aware. Such notice shall contain a statement informing the Holder of their entitlement to exercise Conversion as provided in the Conditions and the Conversion Price applicable in consequence of the Relevant Event as adjusted where appropriate. The Relevant Event Notice shall also specify:

- (a) all information material to Holders concerning the Relevant Event;
- (b) the Conversion Price immediately prior to the occurrence of the Relevant Event;
- (c) the closing price of the Shares as derived from the ASX as at the latest practicable date prior to the publication of such notice; and
- (d) the last day of the Relevant Event Period.