



ASX Announcement

20 April 2020

## Creso Pharma secures additional funding to accelerate operations

**Creso Pharma Limited (ASX:CPH)** ('Creso Pharma' or 'the Company') confirms that it has entered into a convertible securities agreement with Lind Global Macro Fund, LP ('Lind') to enable the Company to raise \$1,000,000 (less the applicable commitment fee) ('Lind Convertible Securities Agreement'). The advance of the funds under the Lind Convertible Securities Agreement is conditional on the Company issuing the Initial Collateral Shares (defined below) to Lind (or its nominee).

### Lind Convertible Securities Agreement

In accordance with the terms of the Lind Convertible Securities Agreement,

- a) the Company has agreed to issue Lind (or its nominee):
  - i) a debt security with a face value of \$1,111,111 and a subscription price of \$1,000,000, which will be issued as a unconvertible debt until such time as Shareholder approval is obtained for the debt to be replaced by the issue of a convertible equity security ('Lind Convertible Note');
  - ii) 21,000,000 Shares for nil cash consideration to be issued as collateral shares ('Collateral Shares'), comprising of:
    - A. 6,000,000 Collateral Shares which will be issued pursuant to the Company's capacity under ASX Listing Rule 7.1 ('Initial Collateral Shares'); and
    - B. a further 15,000,000 Collateral Shares which will be issued subject to the Company obtaining Shareholder approval ('Subsequent Collateral Shares'); and
  - iii) subject to obtaining Shareholder approval, 10,752,688 Options exercisable at \$0.1386 each on or before the date that is 36 months from the date of issue ('Lind Options'); and
- b) pay Lind a commitment fee of \$77,777.



The funds raised by the Company under the Lind Convertible Securities Agreement will largely be used to fund the Company's current liabilities and outstanding obligations and for the Company's operations and working capital purposes.

A summary of the terms of the Lind Convertible Securities Agreement and the Lind Convertible Note is set out Schedules A and B to this announcement.

### Shareholder Approval and Issue of Initial Collateral Shares

Under the terms of the Lind Convertible Securities Agreement, the Initial Collateral Shares are required to be issued on or before 15 May 2020 pursuant to the Company's capacity under ASX Listing Rule 7.1. The Initial Collateral Shares will be issued in conjunction with a cleansing prospectus to remove any on-sale restrictions that may affect the Initial Collateral Shares.

The Company will seek shareholder approval for the issue of the Lind Convertible Note, the Subsequent Collateral Shares, the Lind Options and up to 15,000,000 additional Collateral Shares at its upcoming annual general meeting.

### Lead Manager

Everblu Capital Pty Ltd ('**EverBlu Capital**') was lead manager to this debt raising.

In connection with this, EverBlu Capital will be paid a cash fee of \$66,667 and will also be issued, subject to the receipt of prior shareholder approval, 833,333 shares and 833,333 options (3 year term, \$0.20 exercise price).

### **Drawdown under New L1 Convertible Securities Agreement**

As announced on 5 February 2020, the Company has entered into a convertible securities agreement with L1 Capital Global Opportunities Master Fund (**L1 Capital**) to enable the Company access up to an additional \$17,482,500 (**New L1 Convertible Securities Agreement**).

The Company received the initial advance of \$1,750,000 under the New L1 Convertible Securities Agreement in two tranches on 6 February 2020 and 11 February 2020.

The Company now confirms that it has drawn down a further \$500,000 (less the applicable drawdown fee of \$20,000) under the New L1 Convertible Securities Agreement (**Further Advance**).



As set out in the Company's notice of general meeting released to the ASX on 15 April 2020, the Company intends to offset the Further Advance through the issue of convertible notes to L1 Capital (subject to Resolution 6 being approved by the Company's shareholders at the meeting).

As set out in the ASX announcement released on 5 February 2020, EverBlu Capital acted as the lead manager to this debt raising. Following the further draw down under the New L1 Convertible Securities Agreement, EverBlu Capital will become entitled to receive a further cash fee of \$33,334 and, subject to shareholder approval, the issue of 111,112 Shares.

Further details of the fees payable to EverBlu Capital in respect of this appointment are set out in the ASX announcement released on 5 February 2020.

### **Issue of Additional Collateral Shares**

In light of recent market volatility and the resulting decline in Share price, the Company has agreed, subject to obtaining shareholder approval to issue an aggregate of 32,000,000 additional collateral Shares to the investors under the Original Convertible Note Agreements (as announced on 28 November 2019 and 31 December 2019) (**Additional Collateral Shares**), comprising of the issue of:

- a) 15,000,000 Additional Collateral Shares to Suburban Holdings Pty Limited (ACN 106 824 471) (**Suburban Holdings**) (or its nominee);
- b) 15,000,000 Additional Collateral Shares to L1 Capital (or its nominee); and
- c) 2,000,000 Additional Collateral Shares to Chifley Portfolios Pty Limited (ACN 001 303 939) (**Chifley**) (or its nominee).

The Additional Collateral Shares will be issued at a nil issue price, in consideration for the various investors giving their respective consents to the issues of securities under the Lind Convertible Securities Agreement in order to allow the Company to continue fund raising. The Company will seek Shareholder approval for these issues at its upcoming annual general meeting.

### **Partial Redemption of Tranche 1 Convertible Notes**

The Company has agreed to apply \$87,500 of the funds that will be raised under the Lind Convertible Securities agreement to partially redeem Tranche 1 Convertible Notes held by Suburban Holdings and Chifley. Following completion of the redemption, Suburban Holdings will hold 1,591,667 Tranche 1 Convertible Notes and Chifley will hold 265,278 Tranche 1 Convertible Notes.



The partial redemption of the Tranche 1 Convertible Notes is expected to occur this week following the receipt of funds under the Lind Convertible Securities Agreement. The Company will update the market after the partial redemption has occurred.

## **Ends**

### **Authority and Contact Details**

This announcement has been authorised for release by the Board of Creso Pharma Limited.

For further information, please contact:

EverBlu Capital  
E: [info@everblucapital.com](mailto:info@everblucapital.com)  
T: +61 2 8249 0000

Ben Jarvis – Six Degrees  
T: +61 2 9230 0661  
E: [ben.jarvis@sdir.com.au](mailto:ben.jarvis@sdir.com.au)



## ANNEXURE A – TERMS AND CONDITIONS OF LIND CONVERTIBLE SECURITIES AGREEMENT

<p><b>Lind Convertible Note</b></p>	<p>Lind will advance \$1,000,000 to the Company (<b>Closing Price</b>) (less the applicable Commitment Fee) within one business day after the Company issues the Initial Collateral Shares to Lind (as set out below) (the <b>Closing Date</b>).</p> <p>In consideration for receipt of the Closing Price, the Company must issue Lind an uncertificated debt security with a face value of AU\$1,111,111 (<b>Lind Security</b>). The Lind Security is solely a debt instrument which has no right of conversion into Shares or to the issue of any other securities.</p> <p>The process of the payment of the Closing Price and the issue of the Lind Security is referred to as the <b>Closing</b>.</p> <p>Closing is conditional on:</p> <ul style="list-style-type: none"> <li>the Company obtaining the consent of each of the professional and sophisticated investors who have advanced funds to the Company under the 'Original Convertible Securities Agreements' (as announced on 28 November and 31 December 2019) and L1 Capital Global Opportunities Master Fund under the New L1 Convertible Securities Agreement (as announced on 5 February 2020); and</li> <li>the Company issuing the Initial Collateral Shares (defined below) to Lind (or its nominee).</li> </ul> <p>On or before 26 June 2020 (the <b>Shareholder Approval End Date</b>), the Company must seek Shareholder approval for the issue of a replacement convertible security to Lind, on the basis that the replacement convertible security will be on the same terms as the Lind Security, and will have the same outstanding face value, but the replacement convertible security will have a right of conversion into Shares (<b>Lind Convertible Note</b>). If Shareholder approval is not obtained, an event of default will have occurred.</p> <p>A summary of the material terms of the Lind Convertible Note is set out in Annexure B.</p>
<p><b>Commitment Fee</b></p>	<p>The Company will pay Lind a fee of 7% of the Face Value (<b>Commitment Fee</b>). The Commitment Fee will be deducted from the Closing Price.</p>
<p><b>Options</b></p>	<p>On or before the Shareholder Approval End Date, the Company must seek Shareholder approval for the issue of 10,752,688 Options to Lind (or its nominee). The Options will be exercisable at \$0.1386 each on or before the date which is 36 months after the date of issue. If Shareholder approval is not obtained, an event of default will have occurred.</p>
<p><b>Collateral Shares</b></p>	<p>The number of Collateral Shares issued to Lind (or its nominee) under the Lind Convertible Securities Agreement (as increased or reduced from time to time in accordance with the terms summarised below) is referred to as the <b>Collateral Shareholding Number</b>.</p> <p>The Company has agreed to issue Lind 6,000,000 Collateral Shares pursuant to its existing Listing Rule 7.1 capacity (<b>Initial Collateral Shares</b>). Additionally, the Company has agreed, subject to obtaining Shareholder approval, to issue Lind a further 15,000,000 Collateral Shares (<b>Subsequent Collateral Shares</b>).</p> <p>If, in respect of a requested purchase, immediately following the purchase, the Collateral Shareholding Number will be less than the greater of:</p> <ul style="list-style-type: none"> <li>21,000,000 Shares; and</li> <li>20% of the Amount Outstanding, divided by the numeric average of the 10 daily VWAPs for the 10 Trading Days immediately prior to the day on which the determination is made,</li> </ul>



	<p>(the <b>Threshold Amount</b>), then Lind may give the Company written notice requesting that the Company issue additional Shares to Lind as Collateral Shares (<b>Additional Collateral Shares</b>), so that following the issue, the Collateral Shareholding Number will be at least the Threshold Amount (<b>Top-Up Notice</b>). The issue of any Shares upon receipt of a Top-Up Notice will be subject to the Company obtaining Shareholder approval.</p> <p>On or before the Shareholder Approval End Date, the Company must seek Shareholder approval to issue up to 15 million Additional Collateral Shares. These Additional Collateral Shares will only be issued upon receipt of a valid Top-Up Notice (as set out above).</p> <p>If Lind gives a Top-up Notice, the Company must issue the Additional Collateral Shares to Lind, within 5 Business Days of the date that the Company receives Shareholder approval (or if the Company has previously obtained Shareholder approval to the issue of Additional Collateral Shares to Lind which remains valid, within 5 Business Days of the date of the Top-up Notice).</p> <p>Lind may at any time by written notice to the Company elect to purchase a reduction in the Collateral Shareholding Number (<b>Collateralisation Election Notice</b>). Upon Lind giving a Collateralisation Election Notice:</p> <ul style="list-style-type: none"> <li>• Lind must either: <ul style="list-style-type: none"> <li>○ advance in cleared funds to the Company an amount determined by multiplying the number of Collateral Shares that is subject of the Collateralisation Election (<b>Reduction Number</b>) by the Collateralisation Price (with the total amount being the <b>Reduction Payment</b>); or</li> <li>○ state in the Collateralisation Election Notice that that the Amount Outstanding in respect of the Lind Convertible Note has been reduced by 98% of the Reduction Payment; and</li> </ul> </li> <li>• the Collateral Shareholding Number will be reduced by the Reduction Number.</li> </ul> <p>Nothing in the Lind Convertible Securities Agreement prevents the Company from issuing Shares to Lind from time to time as additional Collateral Shares, subject to the Company first obtaining the prior written consent of Lind. If the Company does so (in full compliance with the Lind Convertible Securities Agreement, and with Lind's prior written consent), then upon the Company doing so the Collateral Shareholding Number will be increased by the number of additional Collateral Shares issued.</p> <p>Other than as set out below, if:</p> <ul style="list-style-type: none"> <li>• the Lind Agreement terminates or expires;</li> <li>• there is no Amount Outstanding; and</li> <li>• the Collateral Shareholding Number is greater than zero,</li> </ul> <p>(<b>Completion Event</b>), then Lind must, at Lind's election, either:</p> <ul style="list-style-type: none"> <li>• in the time period stipulated by the Company and on the Company's strict instructions, sell the Collateral Shareholding Number of Shares on-market (subject to the Shares being able to be traded on-market at the relevant time) and pay 95% of the net sale proceeds to the Company. For clarity, where at the relevant time Lind does not hold at least the Collateral Shareholding Number of Shares, Lind must first acquire them (at Lind's cost); or</li> <li>• within 10 Business Days of the conditions in this clause being met, pay the Company an amount calculated by multiplying the Collateral Shareholding Number by the Collateralisation Price.</li> </ul> <p>However, if a Completion Event occurs and the Shares are not able to be traded on-market (whether because of trading halt or suspension or otherwise) then:</p>
--	--



	<ul style="list-style-type: none"> <li>Lind's obligations set out above will be suspended for the period while the Shares are not able to be traded on-market; and</li> <li>if the Shares are not able to be traded on-market for a continuous period of 60 days, then the Collateral Shareholding Number will be reduced to zero and Lind will have no further obligations in respect of the Collateral Shares.</li> </ul>
<b>Security</b>	<p>The Lind Convertible Note will be secured by:</p> <ul style="list-style-type: none"> <li>a general security agreement by the Company in favour of the Collateral Agent, on terms acceptable to L1 Capital;</li> <li>a general security, collateral security and a general assignment of rents and leases in favour of the Collateral Agent granted by Mernova Medicinal Inc. on terms acceptable to L1 Capital;</li> <li>a collateral agency agreement between Lind, each Co-Investor, the Collateral Agent, the Company, Mernova Medicinal Inc, 3321739 Nova Scotia Limited, Creso Canada Limited and Creso Pharma Switzerland GmbH on terms acceptable to L1 Capital;</li> <li>a guarantee and indemnity in favour of the Collateral Agent granted by Mernova Medicinal Inc. on terms acceptable to L1 Capital;</li> <li>a guarantee and indemnity in favour of the Collateral Agent granted by Creso Pharma Switzerland GmbH on terms acceptable to L1 Capital; and</li> <li>from each of Creso Canada Limited and 3321739 Nova Scotia Limited: <ul style="list-style-type: none"> <li>a guarantee and indemnity in favour of the Collateral Agent granted by the relevant entity. on terms acceptable to L1 Capital; and</li> <li>a general security agreement by the relevant entity in favour of the Collateral Agent (or such document is equivalent in the place of jurisdiction of the relevant entity, on terms acceptable to the Tranche 1 Investors).</li> </ul> </li> </ul> <p>(together, the <b>Security Documents</b>).</p>
<b>Periodic Redemption</b>	<p>The Company must redeem the Lind Convertible Note by making cash payments to Lind on the dates which are 180 days after the Closing Date and 270 days after the Closing Date. These cash payments must be equal to 102% of the lesser of:</p> <ul style="list-style-type: none"> <li>the balance of the aggregate of the outstanding Face Value of the Lind Convertible Note (<b>Amount Outstanding</b>); and</li> <li>the sum of 25% of the aggregate Face Value of the Lind Convertible Note and all interest then accrued.</li> </ul>
<b>Mandatory Redemption</b>	<p>If the Lind Convertible Note has not been converted prior to the respective Maturity Date, the Company must repay the 102% Amount Outstanding to Lind in cash.</p>
<b>Ranking on Conversion</b>	<p>Shares issued on conversion of the Lind Convertible Note will rank equally with existing Shares on issue.</p>
<b>Reconstruction of capital</b>	<p>If at any time the Company undertakes a consolidation, subdivision or pro-rata cancellation of its issued capital, pays a dividend on its Shares or undertakes a distribution of Shares, the Fixed Price and the Collateral Shareholding Number will be reduced or increased in the same proportion as the issued capital of the Company is consolidated, subdivided or cancelled.</p>
<b>Events of Default</b>	<p>Each of the following constitutes an event of default under the Lind Convertible Securities Agreement:</p> <ul style="list-style-type: none"> <li>Any of the representations, warranties, or covenants made by the Company or any of its agents, officers, directors, employees or representatives in any transaction document, materials delivered to Lind or public filing are inaccurate, false or</li> </ul>



	<p>misleading in any material respect, as of the date as of which it is made or deemed to be made, or any certificate or financial or other written statements furnished by or on behalf of the Company to Lind, any of its representatives, or the Company's shareholders, is inaccurate, false or misleading, in any material respect, as of the date as of which it is made or deemed to be made or repeated (in each case where qualified by an express reference to the representation or the warranty being given on a particular other date or dates, on that date or dates).</p> <ul style="list-style-type: none"> <li>• The Company or any subsidiary of the Company (other than a dormant or non-trading subsidiary with less than \$5,000 in assets) suffers or incurs an insolvency event.</li> <li>• The Company or any of its subsidiaries ceases, suspends, or threatens to cease or suspend, the conduct of all or a substantial part of its business, or disposes of, or threatens to dispose of, a substantial part of its assets.</li> <li>• The Company or any of its subsidiaries takes action to reduce its capital or pass a resolution referred to in section 254N(1) of the Corporations Act.</li> <li>• The Company does not comply with its obligations to cleanse the securities (either by issuing the securities under a prospectus or by lodging a cleansing prospectus) or, despite so complying, any Shares issued to Lind (other than Subsequent Collateral Shares or additional Collateral Shares) cannot be freely traded upon receipt, or any Subsequent Collateral Shares or additional Collateral Shares cannot be freely traded after the date upon which the Company is required to lodge a prospectus or cleansing prospectus in respect of them (as relevant).</li> <li>• Any Shares are not issued to Lind within the timeframes required under the Lind Convertible Securities Agreement.</li> <li>• Any Shares are not quoted on ASX (as appropriate) within three (3) Business Days following the date of their issue.</li> <li>• There is a stop order, suspension of trading, cessation of quotation, or removal of the Company or the Shares from the ASX Official List (or a fact or circumstance which may cause such an event), except for a suspension of trading not exceeding five (5) Trading Days in a rolling twelve month period, where such period commences from the date of execution of the Lind Convertible Securities Agreement (<b>Execution Date</b>) (or as agreed to by Lind).</li> <li>• Any of the conditions precedent to Closing or conditions precedent to the issue of Shares under the Lind Convertible Securities Agreement have not been fulfilled in a timely manner or the time prescribed.</li> <li>• The Company challenges, disputes or denies the right of Lind to receive any Shares or Options, or otherwise dishonours or rejects any action taken, or document delivered, in furtherance of Lind's rights to receive any Shares or Options (provided that the Company is permitted to challenge Lind's actions to which Lind is in fact not entitled under the Lind Convertible Securities Agreement).</li> <li>• A Transaction Document (being the Lind Convertible Securities Agreement, an option certificate, exercise form, cleansing statement or cleansing prospectus issued in connection with the Lind Convertible Securities Agreement) or a transaction contemplated under the Lind Convertible Securities Agreement (<b>Contemplated Transaction</b>) has become, or is claimed (other than in a vexatious or frivolous proceeding) by any person that is not Lind or a person controlled by Lind (<b>Affiliate</b>) to be, wholly or partly void, voidable or unenforceable.</li> <li>• Any person has commenced any action, claim, proceeding, suit, investigation, or action against any other person or otherwise asserted any claim before any Governmental authority, which seeks to restrain, challenge, deny, enjoin, limit, modify, delay, or dispute, the right of Lind or the Company to enter into any</li> </ul>
--	---





	<p>Transaction Documents or undertake any of the Contemplated Transactions (other than a vexatious or frivolous proceeding or claim).</p> <ul style="list-style-type: none"> <li>• Any event, condition or development occurs or arises after the Execution Date which in the opinion of Lind (acting reasonably) has or would be likely to have a material adverse effect.</li> <li>• Any consent, permit, approval, registration or waiver necessary for the consummation of a Contemplated Transaction that remain to be consummated at the applicable time, has not been issued or received, or does not remain in full force and effect.</li> <li>• The transactions to be undertaken at Closing would result in the Company breaching Listing Rule 7.1.</li> <li>• Lind has not received all those items required to be delivered to it in connection with Closing or upon the exercise of Options in accordance with the Lind Convertible Securities Agreement.</li> <li>• If the Company does not have a bid for its Shares on ASX for five (5) consecutive trading days.</li> <li>• The Company fails to perform, comply with, or observe, any other term, covenant, undertaking, obligation or agreement under any Transaction Document.</li> <li>• A default judgment of an amount of AU\$100,000 or greater is entered against the Company or any of its subsidiaries.</li> <li>• The Company and/or any of its subsidiaries defaults in relation to any payment obligation under any financial accommodation, including any loan, advance, debenture or other form of financing entered into with a third party (taking into account any applicable grace period agreed by the relevant third party).</li> <li>• Other than in respect of the Israeli JV Settlement, any present or future liabilities, including contingent liabilities, of the Company or any of its subsidiaries for an amount or amounts totalling more than AU\$250,000 have not been satisfied on time (taking into account any applicable grace period agreed by the relevant third party to whom such liabilities are owed), or have become prematurely payable as a result of its default or breach (howsoever described).</li> <li>• The Company does not obtain Shareholder Approval to the issue of the Lind Convertible Note on or before the Shareholder Approval End Date and issue the Lind Convertible Note to Lind within 5 business days of the date of Shareholder approval.</li> <li>• The Company obtains any debt funding or other financial accommodation after the Execution Date (including by the issue of a convertible note or convertible security or preferred shares) other than as agreed pursuant to the Lind Convertible Securities Agreement, and does not repay up to 50% of the Amount Outstanding to Lind, unless waived by Lind.</li> <li>• The Company and/or any of its subsidiaries grants any security interest over any of its assets, or a security interest comes into existence over any assets of the Company and/or any of its subsidiaries, without the prior written consent of Lind.</li> <li>• Any event of default (however described) occurs under any of the Security Documents.</li> <li>• The Company does not pay the Commitment Fee when due.</li> <li>• if the Company undertakes one or more capital raisings and raises at least \$2,500,000 in aggregate, the Company does not seek and procure Shareholder Approval to vary the Fixed Price to be the Lesser Price, within 60 days of completion of the capital raising giving rise to the Company's obligation to seek Shareholder approval.</li> </ul>
--	---



	<ul style="list-style-type: none"> <li>• The Company does not, within 60 days of receipt of a Top-up Notice, issue additional Shares to Lind as Collateral Shares, so that following the issue, the Collateral Shareholding Number (as increased by the issue of the Additional Collateral Shares) will be at least the Threshold Amount.</li> <li>• The Company does not comply with any of its obligations to Lind under the Lind Convertible Securities Agreement within the timeframes required under the Lind Convertible Securities Agreement as a result of the COVID-19 pandemic.</li> </ul> <p>If any event of default occurs, which:</p> <ul style="list-style-type: none"> <li>• either: <ul style="list-style-type: none"> <li>○ is not capable of being remedied; or</li> <li>○ is capable of being remedied but has not been remedied to the satisfaction of the Lind within ten Business Days of Lind notifying the Company of its occurrence; or</li> <li>○ there have been two or more previous events of default; and</li> </ul> </li> <li>• the event of default has not been expressly waived by Lind in writing;</li> </ul> <p>(an <b>Unremedied Default</b>), then Lind may:</p> <ul style="list-style-type: none"> <li>• declare, by notice to the Company, 120% of the then Amount Outstanding under the Transaction Document to be immediately due and payable; and/or</li> <li>• terminate the Lind Convertible Securities Agreement, by notice to the Company, effective as of the date set out in the notice. The Company will have seven business days from receive of a notice of termination to repay Lind the Amount Outstanding and an interest owing (as set out below).</li> </ul> <p>If an event of default occurs, interest shall be payable on the Amount Outstanding at a rate of 15% per annum, which interest shall accrue daily and shall be compounded monthly, from the date of the event of default until the Company discharges the Amount Outstanding in full.</p>
<p><b>Termination</b></p>	<p>The Lind Convertible Securities Agreement may be terminated by Lind on the occurrence or existence of;</p> <ul style="list-style-type: none"> <li>• trading in securities generally in Australia or the United States has been suspended or limited for a consecutive period of greater than ten (10) Business Days; or</li> <li>• minimum prices have been established on securities in Australia or the United States or on the ASX for a consecutive period of greater than ten (10) Business Days;</li> <li>• if the daily VWAP of the Shares is less than A\$0.01 for 5 consecutive Trading Days and Lind has given written notice to the Company (<b>Share Consolidation Notice</b>), requesting the Company to consider undertaking a Share consolidation and the Company does not subsequently convene a general meeting of shareholders as soon as reasonably practical and, in any event, within ninety (90) calendar days of the date of the Share Consolidation Notice and seek Shareholder approval for the Share consolidation (on the terms set out in the Share Consolidation Notice);</li> <li>• a change of control in relation to the Company where Lind has not provided its prior written consent;</li> <li>• the price of the Shares on ASX falling below AU\$0.01 per Share; or</li> <li>• the Company does not procure all of the Shareholder approval for the issue of the Lind Convertible Note, the Lind Options, the Subsequent Collateral Shares and 15,000,000 Additional Collateral Shares on or before the Shareholder Approval End Date;</li> </ul>



	<p>If Lind terminates the Lind Convertible Securities Agreement as set out above, Lind may declare, by notice to the Company, all outstanding obligations by the Company under the Transaction Documents to be due and payable in immediately available funds (including, without limitation, the immediate repayment of any Amount Outstanding) and the Company must within seven (7) Business Days of such notice being received, pay in immediately available funds the Amount Outstanding to Lind.</p> <p>The Lind Convertible Securities Agreement may be terminated by Lind on the occurrence of an event of default in accordance with the procedure described above.</p> <p>The Lind Convertible Securities Agreement may be terminated by Lind if there is a Change in Law Termination Event or in the reasonable opinion of Lind, at any time there exists a Law which, or an official or reasonable interpretation of which, makes it, or may make it, illegal or impossible in practice for Lind to undertake any of the Contemplated Transactions, or render any of the Contemplated Transactions unenforceable, void or voidable. If Lind gives a notice to terminate on this basis, the Company will be required to pay, and must pay, the Amount Outstanding and any interest owing by the Company to Lind on that Amount Outstanding by the date which is forty (40) Business Days after the Change in Law Termination Event (or any earlier date required by, or to comply with, the applicable Law).</p> <p>The Lind Convertible Securities Agreement may be also be terminated:</p> <ul style="list-style-type: none"> <li>• by the mutual written consent of the parties, at any time; or</li> <li>• by either party, by written notice to the other party, effective immediately, if the Closing Date has not occurred within ten (10) Business Days of the Execution Date or such later date as the parties agree in writing, provided that this right to terminate is not available to any party:             <ul style="list-style-type: none"> <li>○ that is in breach of or default under the Lind Convertible Securities Agreement; or</li> <li>○ whose failure to fulfil any obligation under the Lind Convertible Securities Agreement has been the principal cause of, or has resulted in the failure of the Closing to occur.</li> </ul> </li> </ul>
<p><b>Conduct of Business</b></p>	<p>The Company has warranted that, while there is any Amount Outstanding, the Company must not enter into a prohibited transaction, being a transaction with a third party or third parties in which the Company issues or sells (or arranges or agrees to issue or sell):</p> <ul style="list-style-type: none"> <li>• any debt, equity or equity-linked securities (including options) that are convertible into, exchangeable or exercisable for, or include the right to receive Shares:             <ul style="list-style-type: none"> <li>○ at a conversion, repayment, exercise or exchange rate or other price that is based on, and/or varies with, the trading prices of, or quotations for, the Shares; or</li> <li>○ at a conversion, repayment, exercise or exchange rate or other price that is subject to being reset at some future date after the initial issuance of such debt, equity or equity-linked security or upon the occurrence of specified or contingent events; or</li> </ul> </li> <li>• any securities in a capital or debt raising transaction or series of related transactions which grant to an investor the right to receive additional securities based upon future transactions of the Company on terms more favourable than those granted to such investor in such first transaction or series of related transactions;</li> </ul>



	<p>and including transactions generally referred to as equity lines of credit and stand-by equity distribution agreements, and convertible securities, equity swaps, ATMs and loans having a similar effect.</p> <p>In addition, the Company has warranted that, while there is any Amount Outstanding, the Company will maintain a minimum cash balance of \$100,000 in uncommitted, immediately available funds.</p> <p>Additionally, the Company has agreed that, while there is any Amount Outstanding, it must not, and must cause all of its subsidiaries not to, directly or indirectly, without Lind's written approval (such approval must not to be unreasonably withheld):</p> <ul style="list-style-type: none"> <li>• farm-outs and/or asset sales), of all or any part of its assets unless such disposal is in the ordinary course of business, undertaken on an arm's length basis and to an arm's length party, for fair market value and approved by the board of directors of the Company other than in relation to the Israeli JV Settlement;</li> <li>• undertake any consolidation of its share capital other than where expressly permitted in accordance with the terms of the Lind Convertible Securities Agreement;</li> <li>• reduce its issued share capital or any uncalled liability in respect of its issued capital, except (i) by means of a purchase or redemption of the share capital that is permitted under Australian law, (ii) redemption of partly-paid shares and performance shares for a total consideration not exceeding \$1,000, and (iii) expiry of any unexercised options or convertible securities;</li> <li>• change the nature of its business or the nature of the business of any subsidiary (subject to the Company being permitted to sell or dispose of any assets as set out above or wind up or deregister a dormant subsidiary);</li> <li>• make an application under section 411 of the Corporations Act;</li> <li>• transfer the jurisdiction of incorporation of the Company or any of its subsidiaries; or</li> <li>• enter into any agreement with respect to any of the matters referred to above.</li> </ul>
<p><b>Takeover Threshold</b></p>	<p>Where an issue of Shares under the Lind Convertible Securities Agreement would result in the voting power (as defined in Chapter 6 of the Corporations Act) in the Company of Lind or any other person exceeding 19.99%, then without limiting any of Lind's other rights under the Lind Convertible Securities Agreement:</p> <ul style="list-style-type: none"> <li>• Lind may by written notice to the Company (<b>Cash Substitution Notice</b>) require the Company to pay a cash amount to Lind equal to Z multiplied by \$C, where: Z = the number of new Shares which would have been issued to Lind; and \$C = the VWAP per Share on the date Lind's Shares were to be issued, (<b>Cash Substitution Amount</b>); and</li> <li>• upon the Company receiving a Cash Substitution Notice from Lind, the Company must within five (5) Business Days pay Lind in immediately available funds the Cash Substitution Amount.</li> </ul>



ANNEXURE B – TERMS AND CONDITIONS OF LIND CONVERTIBLE NOTE	
<b>Face Value</b>	\$1,111,111
<b>Closing Price</b>	\$1,000,000 (less the applicable commitment fee)
<b>Conversion Price</b>	<p>The lesser of:</p> <ul style="list-style-type: none"> <li>• \$0.35 (<b>Fixed Price</b>); and</li> <li>• 90% of the average of the 5 lowest daily VWAPs from the daily VWAPs for the 20 Trading Days immediately prior to the Conversion Notice Date (provided that if the resultant number contains four or more decimal places, that number will be rounded down to the next lowest number containing three decimal places). (<b>Variable Price</b>).</li> </ul> <p>However, if the Company undertakes one or more capital raisings after the date of execution of the Lind Convertible Securities Agreement and raises of at least \$2,500,000 in aggregate at a price per Share lower than the Fixed Price, the Company must seek Shareholder approval to vary the Fixed Price to the issue price under the relevant capital raising (<b>Lesser Price</b>). If Shareholder approval is not obtained within 60 days from the date of completion of the capital raising, an event of default will have occurred.</p>
<b>Interest Rate</b>	4% per annum on the outstanding Face Value of the Lind Convertible Note, which interest will accrue daily, from the date on which Closing occurs until the Company discharges the Amount Outstanding in full. The Company must pay all accrued interest on the date which is 180 days after Closing and every 90 days afterward.
<b>Maturity Date</b>	The date which is 12 months after the Closing, the date upon which the Company pays Lind the whole of the Amount Outstanding in cash, or 30 days after all obligations of the Company in relation to the Lind Convertible Note are satisfied, whichever is later.
<b>Conversion Rights</b>	<p>Subject to the Company obtaining Shareholder approval for the issue of the Replacement Security, Lind may at any time and on more than one occasion provide the Company no less than two (2) Business Day's prior notice (<b>Conversion Notice</b>) (each date of such notice, a <b>Conversion Notice Date</b>) requiring the Company to effect a conversion of the Lind Convertible Note at any time during the Conversion Period specified by Lind in its sole discretion (each a <b>Conversion Date</b>).</p> <p>The Conversion Notice will specify:</p> <ul style="list-style-type: none"> <li>• the Conversion Date by which Lind requires Conversion to occur, giving at least two (2) Trading Days;</li> <li>• the aggregate Amount Outstanding of the Lind Convertible Note to be converted (which for clarity may but need not include accrued interest), determined by Lind in its sole discretion, except that it must be less than or equal to the Amount Outstanding (<b>Conversion Amount</b>);</li> <li>• whether the Conversion Amount will be constituted in whole or in part by a reduction in the Collateral Shareholding Number and if so, advise the reduction in the Collateral Shareholding Number which will be applied to satisfy some or all of the Conversion Amount (<b>Conversion Collateral Capitalisation Election</b>); and</li> <li>• the Conversion Price applicable to the Conversion.</li> </ul>
<b>Redemption on Capital Raising</b>	If the Company arranges to obtain any debt funding or other financial accommodation after the Execution Date other than as agreed, the Company must unless waived in writing by Lind, immediately on receipt of the proceeds raised through such debt funding or financial accommodation use those proceeds to repay, with no penalty, up to 50% of the Amount Outstanding on the Lind Convertible Note, unless otherwise agreed in writing by Lind.



<p><b>Early Redemption by the Company</b></p>	<p>At any time, the Company may, in its sole discretion, buy-back the whole (or part, only where Lind has already given a Conversion Notice to the Company) of the outstanding Face Value of the Lind Convertible Note on 10 Business Days' notice to Lind. In the event the Company elects to exercise its right under this clause, it must issue Lind with a notice stating the Company's intention to buy-back the Lind Convertible Note (<b>Buy-Back Notice</b>).</p> <p>A Buy-Back Notice must exclude that part of the outstanding Face Value of a Lind Convertible Note in respect of which, as of the time the Company gives Lind a Buy-Back Notice, Lind has already given a Conversion Notice to the Company (the <b>Excluded Converted Amount</b>).</p> <p>Within five (5) Business Days of receiving a Buy-Back Notice, Lind may give one or more Conversion Notices to the Company for up to (in aggregate) 50% of the Face Value of the Lind Convertible Note at the time of issue (<b>Buy-Back Conversion Notice, Buy-Back Conversion Amount</b>)</p> <p>Upon issuing a Buy-Back Notice to Lind, the Company irrevocably and unconditionally agrees to, within five (5) Business Days of receiving the Buy-Back Conversion Notice, or if no Buy-Back Conversion notice is received then within ten (10) Business Days of issuing the Buy-Back Notice:</p> <ul style="list-style-type: none"> <li>• pay to Lind in immediately available funds, 105% of: <ul style="list-style-type: none"> <li>○ the Amount Outstanding;</li> <li>○ less any Excluded Converted Amount; and</li> <li>○ less any Buy-Back Conversion Amount requested by Lind in a Buy-Back Conversion Notice that is permitted under the Lind Convertible Securities Agreement to be settled with Conversion Shares; and</li> </ul> </li> <li>• (where Lind has given the Company a Buy-Back Conversion Notice) issue the Buy-Back Conversion Shares to Lind,</li> </ul> <p>and upon the Company doing so the Lind Convertible Note will be redeemed.</p>
---	--