

## ASX ANNOUNCEMENT

22 October 2018

# Entry of Arrangement Agreement for the Acquisition of the Oropesa Tin Project and Capital Raising Update

### Highlights:

- Arrangement Agreement signed for the acquisition of the Oropesa Tin Project
- \$1.2million capital raising due to complete in two tranches, with \$900,000 on or about 26 October 2018 and \$300,000 on or about 9 November 2018

Elementos Limited (ASX: ELT) ("Elementos" or the "Company") is pleased to announce that it has satisfactorily completed its due diligence on the Oropesa Tin Project located in Spain (**Oropesa**) and has now entered an Arrangement Agreement with Eurotin Inc. (TSX-V: TIN) to acquire Oropesa from Eurotin Inc. which has been fully executed.

Further, Elementos wishes to provide an update on the \$1.2million Lions Bay Capital Placement announced on 31 July 2018 which is expected to complete in two tranches with subscriptions in the amount of approximately \$900,000 completing on or about 26 October 2018 and the balance subscriptions in the amount of approximately \$300,000 completing on or about 9 November 2018.

### Acquisition of Oropesa

As announced by Elementos on 31 July 2018, the acquisition of Oropesa is to take place by way of a plan of arrangement under Canadian laws pursuant to the Arrangement Agreement which provides for Eurotin to transfer to Elementos 100% of the shares currently on issue<sup>1</sup> in Minas De Estaño De España S.L.U. (**Mespa**), a wholly owned subsidiary of Eurotin and the holder of Oropesa.

The consideration for the acquisition of Oropesa is one billion fully paid ordinary shares in Elementos (**Consideration Shares**) which are to be distributed pro-rata to Eurotin's shareholders. In addition, there will remain after completion a CAD\$1million debt owed by Mespa to Mark Wellings in respect of which Elementos will issue a convertible debenture (see below for further details) and Elementos may also incur additional expenditure with respect to addressing any third party rights in respect of Mespa.

<sup>1</sup> Refer to Annexure 1 for details regarding the rights of a third party to acquire a 4% interest in Mespa subject to certain conditions as well as other rights of such third party regarding Oropesa.

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The change in control that will result from the transfer of Mespa shares to Elementos requires the prior approval from the relevant Spanish Regional Mining Authority. Accordingly, completion of the acquisition of Oropesa will take place over two stages:

1. on the obtaining of shareholder and Canadian court approvals and satisfaction or waiver of all other conditions (excluding the Spanish Regional Mining Authority approval), the transfer to Eurotin of the Consideration Shares as convertible redeemable preference shares (**CRPS**) for distribution to the shareholders of Eurotin (**Interim Completion**). Interim Completion must occur by 31 December 2018; and
2. on receipt of the Spanish Regional Mining Authority approval, the transfer to Elementos of the shares in Mespa and the conversion of the CRPS to ordinary shares in Elementos (**Final Completion**). Final Completion must occur within 12 months of distribution of the CRPS to Eurotin shareholders.

Elementos will cover the project holding costs of Mespa between Interim Completion and Final Completion, in exchange for which limitations will be placed on the actions which Mespa can undertake without Elementos' approval and Elementos may direct Mespa to undertake certain actions.

The terms of the Arrangement Agreement are broadly as were announced by the Company in its announcement of 31 July 2018, with the key terms summarised in Annexure 1. The terms of the CRPS are set out in Annexure 2.

In conjunction with the entry of the Arrangement Agreement, a loan agreement has been entered with Mark Wellings (director and significant shareholder of Eurotin) to document his CAD\$1million loan to Mespa (**Loan Agreement**). The Loan is unsecured, accrues interest at a rate of 5.0% p.a. and is to be repaid by the second anniversary of the Final Completion. Elementos does not have any obligations in respect of the Loan Agreement until Final Completion occurs. In support of the Loan Agreement, upon Final Completion occurring, Elementos will issue to Mark Wellings a convertible debenture, pursuant to which Mark Wellings shall have the right to convert, from time to time, up to the principal amount and all accrued interest into Elementos shares at a price equal to the higher of the 20 day VWAP of Elementos shares preceding the date that Mark Wellings provides notice of his intention to convert and \$0.004 per share (**Convertible Debenture**). Conversion during the term of the Convertible Debenture will be subject to Elementos' prior consent, other than during a 10 business day period at the end of the Convertible Debenture's terms. Key terms of the Convertible Debenture are set out in Annexure 3.

Mark Wellings has executed a voting agreement in support of any resolutions at any shareholder meeting of Eurotin to effect the Arrangement Agreement. Mark Wellings (and associates) currently holds 42,793,139 Eurotin shares (representing 40.1% of Eurotin's total issued shares).

In addition, it is a condition to Interim Completion that Andy Greig has executed a voting agreement in support of any resolutions at any shareholder meeting of the Company to effect the Arrangement Agreement. Andy Greig (and associates) currently holds 272,226,820 Elementos shares, which on completion of the Placement will represent 17.71% of Elementos's total issued shares.

Elementos will seek the necessary shareholder approvals for the transactions contemplated under the Arrangement Agreement at its upcoming AGM. A notice of meeting for this AGM is expected to be dispatched to shareholders on or about 1 November 2018.

It is anticipated that Eurotin will hold its AGM seeking all necessary shareholder approvals for the transactions contemplated under the Arrangement Agreement on or about 5 December 2018 and that all necessary court approvals will be received shortly after that. Interim Completion

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must occur by 31 December 2018. The CRPS must be distributed to Eurotin shareholders within 10 business days of Interim Completion.

It is anticipated that the Spanish Regional Mining Authority approval will be received and transfer of the Mespa shares will occur within 3 - 6 months of the date of the Arrangement Agreement. However, Final Completion must occur within 12 months of distribution of the CRPS to Eurotin shareholders.

### Update on Capital Raising

The Lions Bay Capital Placement was first announced by the Company on 31 July 2018. This Placement will raise approximately \$1.2 million to support the completion of the acquisition of Oropesa and general working capital purposes. The Company wishes to provide an update on the status of the Placement. The Placement will complete in two tranches with subscriptions in the amount of approximately \$900,000 expected to complete on or about 26 October 2018 and the balance subscriptions of approximately \$300,000 expected to complete on or about 9 November 2018.

### Capital Structure

Set out below is the effect on the Company's capital structure resulting from the:

1. Placement (and fee options); and
2. Completion of the acquisition of the Oropesa Tin Project.

Event	Shares	% of Shares	Options	Performance Rights
Existing	1,337,330,962	52.7%	10,000,000	30,000,000
Placement (and fee options)	200,000,000	7.9%	100,000,000	-
Acquisition of the Oropesa Tin Project <sup>1</sup>	1,000,000,000	39.4%	-	-
	<b>2,620,664,295</b>	<b>100.00%</b>	<b>110,000,000</b>	<b>30,000,000</b>

Note 1. The consideration shares are to be distributed on a pro-rata basis to Eurotin shareholders. No one shareholder of Eurotin will hold more than 19.99% of the Company's shares on completion of the acquisition of the Oropesa Tin Project.

For more information, please contact:

#### Duncan Cornish

Company Secretary

Phone: +61 (0)407 623 302

Email: [admin@elementos.com](mailto:admin@elementos.com)

Please visit us at: [www.elementos.com.au](http://www.elementos.com.au)

### CAUTIONARY STATEMENTS

#### Forward-looking statements

This document may contain certain forward-looking statements. Such statements are only predictions, based on certain assumptions and involve known and unknown risks, uncertainties and other factors, many of which are beyond the company's control. Actual events or results may differ materially from the events or results expected or implied in any forward-looking statement.

The inclusion of such statements should not be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions or that any forward-looking statements will be or are likely to be fulfilled. Elementos undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date of this document (subject to securities exchange disclosure requirements).

The information in this document does not take into account the objectives, financial situation or particular needs of any person or organisation. Nothing contained in this document constitutes investment, legal, tax or other advice.

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## Annexure 1 - Arrangement Agreement

The following is an overview of the key terms of the Arrangement Agreement, where these differ from the terms as announced by the Company on 31 July 2018:

1. Structure: the acquisition of Oropesa is to take place by way of a plan of arrangement under Canadian laws, pursuant to the Arrangement Agreement.
2. Conditions Precedent to Interim Completion: Interim Completion is subject to and conditional upon usual conditions for a transaction of this nature, including:
  - a. all shareholder approvals of the Company and Eurotin being obtained in accordance with all applicable laws, including for the distribution of the consideration shares to Eurotin's shareholders;
  - b. all regulatory consents/authorisations required to implement the Arrangement Agreement being obtained in accordance with all applicable laws, including the rules and policies of all applicable stock exchanges, and any court-imposed orders being complied with;
  - c. there not existing any prohibition at law, including a cease trade order, injunction or other prohibition or order at law against the Company or Eurotin which shall prevent the completion of the Arrangement Agreement;
  - d. Andy Greig's voting agreement having been entered;
  - e. Interim Completion occurring on or before 31 December 2018;
  - f. between the date of the Arrangement Agreement and Interim Completion there not occurring any event that would reasonably be expected to have a material adverse effect on Mespa, the Company or any Company subsidiary;
  - g. the ASX confirming to the Company that re-compliance with Chapters 1 and 2 of the ASX Listing Rules is not required. The Company has submitted an application to ASX in this regard;
  - h. delivery to the Company of executed ASX escrow agreements for any ASX imposed escrow of the Consideration Shares;
  - i. all encumbrances, charges or liens over the Mespa shares being discharged; and
  - j. an agreement between Mespa and Sondeos y Perforaciones Industriales Del Bierzo, S.A. (**SPIB**) (**SPIB Deed**) governing the agreements that Mespa currently has in place having been entered, in a form approved by Elementos in its sole discretion. Further details in this regard are set out below.
3. Conditions Precedent to Final Completion: Final Completion is subject to and conditional upon usual conditions for a transaction of this nature, including:
  - a. all conditions for Interim Completion having been satisfied or waived;
  - b. the Spanish Regional Mining Authority Approval having been obtained on terms satisfactory to Elementos and Eurotin;
  - c. there not existing any prohibition at law, including a cease trade order, injunction or other prohibition or order at law against the Company or Eurotin which shall prevent the completion of the transfer of the Mespa shares;
  - d. the CRPS having been distributed to the shareholders of Eurotin pursuant to the Arrangement Agreement;
  - e. the date of Final Completion occurring on or before the date that is 12 months following distribution of the CRPS to Eurotin shareholders;
  - f. between the date of the Arrangement Agreement and Final Completion there not occurring any event that would reasonably be expected to have a material adverse effect on Mespa, the Company or any Company subsidiary;
  - g. the SPIB Deed coming into effect according to its terms;
4. Consideration: 1,000,000,000 fully paid ordinary shares in Elementos in consideration for a 100% interest in the Oropesa Tin Project, to be issued as CRPS, converting to ordinary shares on Final Completion. The CRPS are to be distributed pro-rata to Eurotin's shareholders.
5. Arrangement Agreement Process:

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- a. Eurotin is required to seek all necessary regulatory and shareholder approvals to effect the Arrangement Agreement and make necessary applications to the court and authorities to hold the shareholder meeting and implement the transaction. Eurotin is required to carry on its business in the usual and ordinary course until the Arrangement Agreement becomes effective.
- b. Elementos is required to seek all necessary regulatory and shareholder approvals to effect the Arrangement Agreement and apply for a waiver in respect of the application of ASX imposed escrow to the consideration shares (this waiver application has been submitted to ASX by Elementos). Elementos is also required to provide prospectus level disclosure in accordance with Canadian securities laws for inclusion with the Eurotin notice of meeting circular. Elementos is required to carry on its business in the usual and ordinary course until the Arrangement Agreement becomes effective.
6. Post Interim Completion matters: Elementos will fund the project holding costs of Mespa between Interim Completion and Final Completion, in exchange for which limitations will be placed on the actions which Mespa can undertake without Elementos' approval and Elementos may direct Mespa to undertake certain actions at Elementos' cost.
7. Board: There will be no changes to the Elementos or Eurotin boards as a result of this acquisition.
8. Warranties and indemnities:
- The Arrangement Agreement contains warranties in respect of both Mespa and Elementos and qualifications to those warranties which are usual for a transaction of this nature. The warranties provided by Elementos will cease 2 years after Final Completion.
  - Warranties in respect of Mespa are provided by both Eurotin and Mark Wellings personally. The warranties provided by Eurotin will cease as at Final Completion. The warranties provided by Mark Wellings will cease 2 years after Final Completion.
  - Mark Wellings personally indemnifies Elementos in respect of any breach of the Arrangement Agreement by Eurotin or himself including any breach of the warranties regarding Mespa. However, in no circumstances is the liability of Mark Wellings in this regard to exceed the amount of the Wellings loan (being CAD\$1million plus interest)
  - To further support the warranties regarding Mespa, Elementos has the right to set off the amount of any claim against Mark Wellings in relation to the indemnity, representations or warranties provided by Mark Wellings in the Arrangement Agreement against the obligations under the Loan Agreement and the Convertible Debenture. For this reason, the Convertible Debenture may not be converted by Mark Wellings prior to the date that is 2 years after Final Completion without the consent of Elementos.
9. Termination:
- The Arrangement Agreement may be terminated by mutual agreement. In addition, either Eurotin or the Company may terminate the Arrangement Agreement if:
    - Interim Completion has not occurred, including that the Company's or Eurotin's required shareholder approvals have not being obtained, by 31 December 2018;
    - The Regional Mining Authority Approval has not been obtained or Final Completion has not occurred by the date that is 12 months after distribution of the CRPS to Eurotin shareholders;
  - The Arrangement Agreement may be terminated by the Company if:
    - prior to the Eurotin shareholders meeting, the Eurotin board fails to recommend the Transaction or withdraws or qualifies its recommendation in a manner adverse to the Company.

- ii. The Eurotin board authorises the entry of an agreement in respect of a Superior Proposal or recommends a Superior Proposal, in which case Eurotin must pay a fee of CAD\$100,000 to the Company.
- iii. Any of the conditions precedent contained for the benefit of Elementos are not (or are incapable of being) satisfied by their respective final dates.
- iv. Eurotin is in breach of its non-solicitation obligations.
- c. The Arrangement Agreement may be terminated by Eurotin if:
- i. The Eurotin board authorises the entry of an agreement in respect of a Superior Proposal, provided that Eurotin pays a fee of CAD\$100,000 to the Company.
- ii. Any of the conditions precedent contained for the benefit of Eurotin are not (or are incapable of being) satisfied by their respective final dates.
10. **SPIB:** Under existing agreements Mespa has in place with SPIB, SPIB presently holds certain rights in respect of Mespa and Oropesa including:
- a. On the economic feasibility of Oropesa being confirmed and a decision being made to exploit Oropesa, SPIB will receive a 4% equity interest in Mespa for nil cash consideration, which would reduce the Company's eventual equity interest in Mespa to 96%. SPIB's 4% interest is subject to anti-dilution provisions in order to protect its interest. For a period of two years following the issue of the 4% equity interest in Mespa, SPIB will have the right to exchange this equity interest for a 4% Net Profit Interest in Mespa.
- b. SPIB holds a 1.35% Net Smelter Royalty with regards to Oropesa.
- c. SPIB will have the right to appoint a Director to the Board of Mespa and a member to the technical committee.
- d. SPIB have the first right of refusal to undertake all drilling activities at Oropesa at set prices and subject to availability to undertake the drilling.
- e. SPIB will receive preferential treatment in any competitive tender process for non-drilling activities, subject to pricing being within 2% of any third parties and SPIB demonstrating the required competence to undertake the activities.
- f. If Oropesa does not become an operating mine on or before 31 December 2026, SPIB has the right to reacquire up to 50% of the Oropesa Investigation Permit, free of liens and encumbrances.
- g. In the event that MESPA cannot provide the funding for Oropesa, SPIB will have to option to provide such financing in exchange for Eurotin's ordinary shares.

It is intended by Elementos and Eurotin that certain aspects of the existing arrangements with SPIB be amended prior to Final Completion occurring (however, this does not include the 4% equity interest and royalty which are intended to remain). Any such amendment will be subject to SPIB's approval and execution of the SPIB Deed. As such, it is a condition that the SPIB Deed in a form acceptable to Elementos is entered prior to Interim Completion and that this takes effect by Final Completion. This condition is for the sole benefit of, and may only be waived by, Elementos. In addition, it is intended that all existing debts owing to SPIB are discharged in full by Eurotin prior to Final Completion.

## Annexure 2 - CRPS summary

The following is a summary of the key terms of the CRPS:

### 1. Definitions

The following expressions have the following meanings:

<b>Automatic Conversion</b>	has the meaning given to that term in clause 2.2 below.
<b>Automatic Conversion Date</b>	10 business days after the later of: (a) the Regional Mining Authority Approval is received; and (b) the MESPA Share Transfer Completion occurs.
<b>Condition Failure Event</b>	(c) If the CRPS are not registered in the name of the Distribution Recipient as a result of the Distribution by the date being 10 business days after the issue of the CRPS; or (d) If the Regional Mining Authority Approval is not received within 12 months following the Distribution of CRPS; or (e) If the MESPA Share Transfer Completion does not occur within 12 months following the Distribution of CRPS; or the Arrangement Agreement between the Company and Eurotin Inc dated on or about 5 October 2018 is terminated in accordance with its terms.
<b>Conversion</b>	in relation to a CRPS, the taking effect of the rights specified in clauses 2.2, 2.4 and 2.5 below in relation to that CRPS and <b>Convert</b> and <b>Converted</b> have corresponding meanings.
<b>Conversion Date</b>	the Automatic Conversion Date or the New Conversion Date, as applicable.
<b>CRPS</b>	The convertible redeemable preference shares known as "CRPS" issued on the terms set out in these Terms or, where the context requires, each convertible redeemable preference share.
<b>CRPS Holder</b>	Each person registered in the Register from time to time as a holder of CRPS.
<b>Distribution</b>	The distribution in specie whether by way of dividend or return of capital of the CRPS to holders of common shares in the Original CRPS Holder, pursuant to the Distribution Resolution.
<b>Distribution Recipient</b>	A recipient of CRPS distributed as part of the Distribution.
<b>Distribution Resolution</b>	A resolution passed at a meeting of common shareholders of the Original CRPS Holder authorising the Distribution pursuant to the <i>Business Corporations Act</i> (Ontario) and any other applicable laws.

<b>Face Value</b>	\$0.0000001 per CRPS.
<b>MESPA Share Transfer Completion</b>	Completion of the transfer of all of the issued and outstanding shares of Minas de Estaño de España, S.L.U, a company incorporated pursuant to the laws of Spain ( <b>MESPA Shares</b> ) from Eurotin Inc. (or a subsidiary of Eurotin Inc.) to the Company (or a wholly owned subsidiary of the Company) in accordance with the terms of the arrangement agreement entered by the Company and Eurotin Inc., a corporation incorporated under the laws of the Province Ontario, Canada on 15 October 2018.
<b>New Conversion Date</b>	has the meaning given to that term in clause 2.2 below.
<b>Original CRPS Holder</b>	Eurotin Inc. - a corporation incorporated under the laws of the Province of Ontario, Canada, of 77 King St. West, Suite700, P.O. Box 118, Toronto, Ontario, M5K 1G8
<b>Oropesa Tin Project</b>	Oropesa Investigation Permit number 13.050 and all the resulting rights from that Investigation Permit, including, without limitation, the exploitation concession already applied for by MESPA, being the Oropesa tin project located in Spain
<b>Redeem</b>	in relation to a CRPS, redeem, buy-back (other than an on-market buy-back within the meaning of the Corporations Act) or reduce capital, or any combination of such activities, in connection with that CRPS in accordance with clauses 2.7, 2.8 and 2.9 below, and <b>Redeemed</b> , <b>Redeemable</b> and <b>Redemption</b> have the corresponding meanings.
<b>Redemption Date</b>	10 business days after the Company issues a Redemption Notice.
<b>Redemption Notice</b>	A notice given by the Company to a CRPS Holder in a form determined by the Company, of its intention to Redeem the CRPS in accordance with clause 2.7 below.
<b>Regional Mining Authority</b>	Delegación Territorial de Córdoba de la Dirección General de Industria, Energía y Minas de la Consejería de Empleo, Empresa y Comercio de la Junta de Andalucía ( <i>Representation in the province of Córdoba of the General Directorate of Industry, Energy and Mining of the Employment, Business and Commerce Department of the Government of the Region of Andalucía</i> ).
<b>Regional Mining Authority Approval</b>	written confirmation provided by the Regional Mining Authority to MESPA and the Company (or a wholly owned subsidiary of the Company) approving the transfer of the beneficial ownership of the Oropesa Tin Project from Eurotin Inc. to the Company (or a wholly owned subsidiary of the Company).
<b>Redemption Period</b>	The period commencing on the Condition Failure Event happening and ending 20 Business Days thereafter.

<b>Terms</b>	The terms and conditions for the issue of CRPS in the Company as these terms and conditions are amended, supplemented or replaced from time to time and as set out herein.
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## 2. Key terms

### 2.1 Issue:

Each CRPS will be issued fully paid at the Face Value and are fully paid redeemable convertible preference shares in the capital of the Company.

### 2.2 Automatic Conversion

Subject to this clause, each CRPS will be Converted on the Automatic Conversion Date in accordance with clauses 2.4 and 2.5 (**Automatic Conversion**) unless the CRPS has been previously Redeemed. Within two (2) business days of the Automatic Conversion, the Company must apply for official quotation on ASX of the Shares arising from Conversion. On the Automatic Conversion Date, the Company must provide to ASX a cleansing notice under sections 708A(5)(e) and 708A(6) of the Corporations Act or it is unable to do so, the Company must within 10 Business Days after the Automatic Conversion Date lodge with ASIC a prospectus complying with section 708A(11) of the Corporations Act.

If the Company is under an obligation to lodge a prospectus complying with section 708A(11) of the Corporations Act., and the Automatic Conversion Date would occur prior to actual lodgement of such a prospectus then the Conversion of the CRPS will not occur until the date on which the Company has complied with its obligations to lodge such a prospectus (the **New Conversion Date**).

### 2.3 No other Conversion

The Company does not have the right to Convert the CRPS other than in the circumstances listed in clause 2.2 and save as provided for in these terms, no CRPS Holder has a right to Convert CRPS.

### 2.4 Conversion number

In the event of a Conversion all CRPS will convert into Shares on the basis of one Share for each CRPS.

### 2.5 Rights on Conversion

A CRPS, upon Conversion, confers all of the rights attaching to one Share but these rights do not take effect until 5.00pm (Brisbane time) on the Conversion Date. At that time all other rights conferred or restrictions imposed on that CRPS under these Terms will no longer have effect and the Share resulting from the Conversion will rank equally with all other Shares.

### 2.6 Rank equally

Each Share arising from Conversion will rank pari passu with all other fully paid Shares, except that such Shares arising from Conversion will not be entitled to any dividend or

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any other distribution or entitlement that has been declared or determined but not paid as at the Conversion Date.

## 2.7 Redemption mechanics to apply to Redemption

The Company may Redeem CRPS during the Redemption Period by giving a notice (**Redemption Notice**) to CRPS Holders and paying to the CRPS Holders on the Redemption Date the Face Value of each CRPS the subject of the Redemption Notice (**Redemption Amount**). The Company may not Redeem any CRPS unless, at the same time, it redeems all CRPS.

## 2.8 Effect of Redemption on CRPS Holders

On the Redemption Date, subject to Redemption occurring, the only right CRPS Holders will have in respect of CRPS the subject of the Redemption will be to obtain the Redemption Amount payable in accordance with these Terms and upon payment of the Redemption Amount, all other rights conferred, or restrictions imposed by the relevant CRPS will no longer have effect. CRPS the subject of Redemption will be cancelled and may not be re-issued

## 2.9 Redemption by buy-back of CRPS

If the Redemption involves a buy-back of CRPS:

- (a) the Redemption Notice constitutes a buy-back offer for the Redemption Amount payable on the relevant Redemption Date; and
- (b) the CRPS Holders must accept the buy-back offer for their CRPS and will be deemed to have accepted that buy-back offer for CRPS held by that CRPS Holder to which the Redemption Notice relates on the date the Redemption Notice is given and will be deemed to have sold those CRPS to the Company free of all encumbrances on the Redemption Date.

## 2.10 General Rights

- (a) CRPS rank equally amongst themselves in all respects.
- (b) The CRPS shall have no entitlement to payment of dividends and do not confer on their holders any right to participate in profits or property except as set out in these Terms or in the Constitution nor do they confer any rights to subscribe for new securities in the Company or to participate in any bonus issues.
- (c) Until Conversion, if there is a return of capital on a winding up of the Company, CRPS Holders will be entitled to receive out of the assets of the Company available for distribution to holders of CRPS, in respect of each CRPS held, a cash payment equal to the Face Value before any return of capital is made to holders of Shares or any other class of shares ranking behind the CRPS.
- (d) If, upon a return of capital, there are insufficient funds to pay in full the amounts referred to above and the amounts payable in respect of any other shares in the Company ranking as to such distribution equally with the CRPS on a winding up of the Company, the CRPS Holders and the holders of any such other shares will share in any distribution of assets of the Company in proportion to the amounts to which they respectively are entitled.

- (e) Until Conversion, the CRPS do not confer on the CRPS Holders any further right to participate in the surplus assets of the Company on a winding up then those set out in these Terms.
- (f) Until all CRPS have been converted, the Company must not, without approval of the CRPS Holders, issue shares ranking in priority to the CRPS or permit the variation of any rights of any existing shares to shares ranking equally or in priority to the CRPS, but the Directors are at all times authorised to issue further CRPS ranking equally with any existing CRPS.
- (g) If a takeover bid is made for ordinary shares, acceptance of which is recommended by the Directors, or the Directors recommend a member's scheme of arrangement, the Directors will use reasonable endeavours to procure that equivalent takeover offers are made to the CRPS Holder or that they participate in an equivalent scheme of arrangement.
- (h) A CRPS does not entitle a CRPS Holder to vote at any general meeting of the Company except in the following circumstances:
- (1) on a proposal:
    - (a) to reduce the share capital of the Company;
    - (b) that affects rights attached to the CRPS;
    - (c) to wind up the Company; or
    - (d) for the disposal of the whole of the property, business and undertaking of the Company;
  - (2) on a resolution to approve the terms of a buy back agreement; or
  - (3) on a resolution during the winding up of the Company.
- (i) A Holder will have the same rights as the holders of Shares with respect to receiving notices at general meetings and financial reports and attending the Company's general meetings.
- (j) Each CRPS shall be non-transferable unless the prior written consent of the Company has been provided to such transfer in which case the CRPS Holder may

transfer such CRPS to the recipient as consented to by the Company, except that the CRPS Holder may transfer the CRPS to the Distribution Recipients.

- (k) In the event of any reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company the number of CRPS will be reorganised:
- (1) *in a consolidation of capital: the number of CRPS will be consolidated in the same ratio as the ordinary capital; or*
  - (2) *in a sub-division of capital: the number of CRPS will be sub-divided in the same ration as the ordinary capital; or*
  - (3) *in a return of capital: the number of CRPS will remain the same; or*
  - (4) *in a reduction of capital by a cancellation of paid up capital that is lost or not represented by available assets where no securities are cancelled: the number of CRPS will remain unaltered; or*
  - (5) *in a pro-rata cancellation of capital: the number of CRPS must be reduced in the same ratio as the ordinary capital; or*
  - (6) *in any other case: the number of CRPS must be reorganised so that the holder of the CRPS will not receive a benefit that holders of ordinary securities do not receive; and*
  - (7) *subject to the provisions with respect to rounding of entitlements as sanctioned by a meeting of shareholders of the Company approving a reorganisation of the Company's capital, in all other respects, the terms for the CRPS and their conversion to Shares will remain unchanged.*

### Annexure 3 - Convertible Debenture summary

The following is a summary of the key terms of the Debenture:

- the Debenture will be issued on Final Completion, as set out in the Loan Agreement;
- The Parties to the Debenture are Mark Wellings, Mespa and the Company;
- the Debenture will be issued with a face value of CAD\$1,000,000;
- the Debenture will accrue interest at a rate for 5% per annum (non-compounding);
- the Debenture is not transferable without the consent of each other party to the Debenture;
- the Debenture will be governed by Queensland law;
- with the prior written consent of the Company, the Debenture in whole or in part may be converted into Shares at the election of Mark Wellings, with a conversion price the higher of:
  - AUD\$0.004 (**Floor Price**); or
  - the volume weighted average price at which Shares have traded on the ASX for the 20 Trading Days prior to the relevant date;
- Notwithstanding the foregoing, the Holder may issue a conversion notice without the Company's consent in the following circumstances:
  - at any time following the Maturity Date for a period of 10 Business Days; and
  - where the Company has elected to redeem the Debenture prior to the Maturity Date.
- any conversion that would result in a breach of the takeover provisions is not permitted;
- unless the Company agrees otherwise a conversion must be for at least \$250,000;
- the maturity date of the Debenture is two years after its issue and the Company must repay any moneys owing pursuant to the Debenture within 20 business days of the maturity date;
- the Company may redeem the Debenture at any time before its maturity date by giving Mark Wellings 10 business days' notice (and Mark Welling may elect to convert all or part of the Debenture at that time);
- while the Debenture is on issue the Company covenants to preserve and maintain its listing on the ASX;
- In the event of any reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company:
  - the Debenture will be reorganised:
    - in a consolidation of capital: the Floor Price will be multiplied by the inverse proportion of the consolidation ratio; or
    - in a sub-division of capital: the Floor Price will be sub-divided in the same ratio as the ordinary capital; or
    - in a return of capital: the number of shares to be issued on conversion after the reorganisation and the Floor Price will remain the same; or
    - in a reduction of capital by a cancellation of paid up capital that is lost or not represented by available assets where no securities are cancelled: the

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number of shares to be issued on conversion after the reorganisation and the Floor Price will remain unaltered; or

- in a pro-rata cancellation of capital: the Floor Price must be multiplied by the cancellation ratio; or
  - in any other case: the number of shares to be issued on conversion after the reorganisation must be reorganised so that the Holder will not receive a benefit that holders of ordinary securities do not receive; and
- subject to the provisions with respect to rounding of entitlements as sanctioned by a meeting of shareholders of the Company approving a reorganisation of the Corporation's capital, in all other respects, the number of shares to be issued on conversion after the reorganisation will remain unchanged.
- each party to the Debenture will be responsible for their own costs and expenses;
  - the Company may set off against the Debenture any claim it has against the holder of the Debenture for a breach of indemnity, representation or warranty given by Mark Wellings under the Arrangement Agreement; and
  - except as required by the Corporations Act, the Debenture will carry no right to vote at meeting of the Company, and will not entitle the holder of the Debenture to participate in future issues of securities by, or dividends of, the Company prior to any conversion of the Debenture into Shares.

End