



27 September 2017

The Manager
Company Announcements
Australian Securities Exchange
Level 5, 20 Bridge Street
SYDNEY NSW 2000

By electronic lodgement

Cleansing notice under section 708A(12C)(e) of the Corporations Act 2001(Cth)

N1 Holdings Limited ACN 609 268 279 (**Company**) gives this cleansing notice (**Cleansing Notice**) under section 708A(12C)(e) of the *Corporations Act 2001* (Cth) (**Corporations Act**) as amended by *ASIC Corporations (Sale Offers: Securities Issued on Conversion of Convertible Notes) Instrument 2016/82*.

The Company hereby gives notice that:

- (a) the Convertible Bonds were issued without disclosure to investors under Part 6D.2 of the Corporations Act; and
- (b) this Cleansing Notice has been given in accordance with section 708A(12C)(e) of the Corporations Act.

The issue of this Cleansing Notice enables the fully paid ordinary shares in the capital of the Company (**Shares**) issued on the conversion of the Convertible Bonds issued by the Company on the terms described below, to be on-sold to retail investors without further disclosure.

This Cleansing Notice is important and should be read in its entirety.

1. Background

The Company has received applications to raise \$1,000,000 (**Capital Raise**). The proceeds of the Capital Raise will be used to fund potential acquisitions and for working capital purposes.

The Capital Raise comprises the issue of 5 million unlisted unsecured convertible bonds (**Convertible Bonds**). Each Convertible Bond will have a face value of \$0.20 (**Face Value**).

The terms of the Convertible Bonds are set out in a Convertible Note Deed Poll (**Deed Poll**) executed by the Company in favour of the holders of the Convertible Bonds (**Bondholders**), and are summarised in section 4 below.

The Directors consider that the Capital Raising by the issue of the Convertible Bonds is in the best interests of the Company.

2. Contents of this Cleansing Notice

This Cleansing Notice sets out the following:

- (a) in relation to the Convertible Bonds:
 - (i) the effect of the issue on the Company;
 - (ii) a summary of the rights and liabilities attaching to the Convertible Bonds; and
 - (iii) a summary of the rights and liabilities attaching to the Shares that will be issued on the conversion of the Convertible Bonds; and
- (b) any information that:
 - (i) has been excluded from continuous disclosure notice in accordance with the ASX Listing Rules; and
 - (ii) is information that investors and their professional advisers 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
 - (iii) other information relating to the Company's status as a disclosing entity.

3. The effect of the issue on the structure of the Company

3.1. Effect of the issue on the Company

The principal effect of the issue of the Convertible Bonds on the Company will be to:

- (a) increase the Company's cash reserves by \$1,000,000 (before costs of the Capital Raise);
- (b) increase the number of unlisted unsecured Convertible Bonds on issue from 1.85 million to 6.85 million;
- (c) give rise to the Company having a liability for the amount of the Face Value of the Convertible Bonds; and
- (d) if the Convertible Bonds are converted, either whole or in part, increase the number of Shares on issue as a consequence of the issue of Shares on the conversion of the Convertible Bonds.

3.2. Pro-forma balance sheet of the Company taking into account issue of the Convertible Bonds

- (a) Set out below is a pro-forma consolidated balance sheet of the Company, as at 30 June 2017, based on the Company's consolidated balance sheet from its FY2017 Annual Report. It has been adjusted to reflect the issue of the Convertible Bonds 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 the annual financial statements. The pro-forma financial information is not audited. The classification of the allocations between debt and equity for the Convertible Bonds may change in the future.

Pro-forma Statement of Financial Position as at 30 June 2017

ASSETS

CURRENT ASSETS

Cash and cash equivalents	1,912,432
Trade and other receivables	1,317,026
Other financial assets	11,220
TOTAL CURRENT ASSETS	3,240,678

NON-CURRENT ASSETS

Trade and other receivables	1,302,252
Other financial assets	230,946
Property, plant and equipment	495,178
Deferred tax assets	772,511
Intangible assets	2,653,803
TOTAL NON-CURRENT ASSETS	5,454,690

TOTAL ASSETS **8,695,368**

LIABILITIES

CURRENT LIABILITIES

Trade and other payables	445,153
Other financial liabilities	224,531
Provisions	328,526
TOTAL CURRENT LIABILITIES	998,210

NON-CURRENT LIABILITIES

Other financial liabilities	2,541,581
Deferred tax liabilities	1,037,877
Provisions	20,277
TOTAL NON-CURRENT LIABILITIES	3,599,735

TOTAL LIABILITIES **3,597,945**

NET ASSETS **4,097,423**

EQUITY

Issued capital	5,756,156
Reserves	155,610
Retained earnings	(1,814,343)
TOTAL EQUITY	4,097,423

**The fair value of the conversion feature of the Convertible Bonds will have to be determined at each reporting date and the fair value changes will be recognised in profit or loss.*

3.3. Potential effect on share structure

- As at the date of this Cleansing Notice, the issued capital of the Company is 81,555,573 Shares.
- The capital structure of the Company will be affected by the conversion of the Convertible Bonds by the Bondholders which will result in additional Shares being issued.
- The Convertible Bonds can be converted at any time prior to the date of maturity (being 24 months from the date of issue (**Maturity Date**)) at the request of the Bondholder, or they will automatically be redeemed (by repayment) on the Maturity

Date.

- (d) If the Bondholders convert the maximum number of Convertible Bonds, then 6,850,000 new Shares would be issued. The actual effect of the share capital of the Company will depend on how many Convertible Bonds are converted. The effect on the issued share capital of the Company on conversion of all the Convertible Bonds is set out in the table below. This is based on a price of \$0.20 and does not account for any accrued interest.

Security	Number
Shares currently on issue	81,555,573
Shares issued upon conversion of all the Convertible Bonds	6,850,000
Total Shares on issue following conversion of all the Convertible Bonds	88,405,573

4. Rights and liabilities attaching to the Convertible Bonds

The following is a broad summary of the rights, privileges and restrictions attaching to the Convertible Bonds. The summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of the Bondholders.

(a) **Term**

The Convertible Bonds have a term of 24 months from the date of issue, being 27 September 2017 (**Issue Date**) until 26 September 2019 (**Maturity Date**) (unless earlier redeemed or converted).

(b) **Face Value**

Each Convertible Bond has a face value of \$0.20 (**Face Value**).

(c) **Interest**

Interest for each interest period (being the period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next Interest Payment Date) accrues daily at 7% per annum, on the outstanding amount of each Convertible Bond (being the Face Value of a Convertible Bond plus any accrued but unpaid interest). On each Interest Payment Date, unless the Company has separately agreed with each Bondholder to capitalise their interest, the Company must pay the interest accrued in respect of each Convertible Bond. For the purposes of this clause (c), Interest Payment Date means, whilst any Convertible Bonds remain outstanding, one calendar month after the Issue Date and each calendar month thereafter.

Interest ceases to accrue in respect of a Convertible Bond on its Maturity Date, the date on which the Company converts the Convertible Bond into shares (**Conversion Date**) or the date on which the Convertible Bond is redeemed (**Redemption Date**).

(d) **Ranking of Convertible Bonds**

The Convertible Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Company. The Convertible Bonds shall rank *pari passu* and without preference or priority among themselves.

(e) **Conversion**

- (i) The Bondholder will be entitled to convert all or a portion of the Convertible Bonds (together with any accrued interest) into shares, by delivering a conversion notice at any time prior to the Maturity Date.
- (ii) The Company will apply for quotation by ASX of the Shares issued on conversion of the Convertible Bonds. The Convertible Bonds themselves will not be quoted on the ASX.
- (iii) Shares issued on conversion will rank equally in all respects with fully paid ordinary shares in the Company.
- (iv) Each Convertible Bond will convert into Shares at the conversion price of \$0.20.

(f) **Redemption and Repayment**

A Convertible Bond is redeemed if a Bondholder gives a redemption notice after an Event of Default.

The Company may redeem a Convertible Bond during the facility, by notice, with the Bondholder having the option of conversion instead.

On the Maturity Date, the Company will redeem the Convertible Bonds at the redemption price of \$0.20 per Convertible Bond.

(g) **Events of Default**

Events of default include:

- (i) the Company defaults on any payment in respect of, or materially breaches any term, condition, applicable law or the ASX Listing Rules in respect of, the Convertible Bonds;
- (ii) the Company ceases to be listed on the ASX;
- (iii) an administration order is made in relation to the Company or any of its subsidiaries;
- (iv) an order is made, or an effective resolution is passed, for the winding-up, liquidation, administration or dissolution of the Company or any of its subsidiaries (except for the purpose of a solvent reorganisation or amalgamation of the Company or any of its subsidiaries);
- (v) a person holding an Encumbrance (as defined in the Deed Poll) takes possession, or a receiver is appointed, in respect of all, or substantially all, of the assets or undertakings of the Company or any of its subsidiaries;
- (vi) distress, execution or other legal process is levied, enforced or sued in respect of all, or a material part, of the assets or undertaking of the Company or any of its Subsidiaries and is not discharged, paid out, withdrawn or removed within 10 business days;
- (vii) the Company or any of its subsidiaries stops (or threatens to stop) payment of its debts generally or ceases (or threatens to cease) to carry on its business or a substantial part of its business; or
- (viii) the Company or any of its subsidiaries is deemed (other than by failing to comply with a statutory demand which is being challenged on a good faith basis) under applicable law to be unable to pay its debts or compounds, or proposes or enters into any reorganisation or special arrangement with, its

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creditors generally.

(h) **Transferability**

Convertible Bonds can be transferred (with consent of the Company, such consent not to be unreasonably withheld), but will not be quoted on ASX.

5. Rights and Liabilities attaching to Shares issued under the Convertible Bonds

The Shares to be issued to Bondholders on the conversion of the Convertible Bonds will rank equally in all respects with all of the Company's existing Shares. The rights attaching to Shares, including new Shares to be issued to the Bondholders on the conversion of the Convertible Bonds, are set out in the Company's Constitution, and, in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules and the general law.

The Company intends to apply to ASX Limited for quotation of the shares issued on conversion of any Convertible Bonds.

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 of the Company (**Shareholders**).

(a) **General meetings**

Shareholders are entitled to be present in person, by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution.

(b) **Voting rights**

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

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

(c) **Dividend rights**

Subject to and in accordance with the Corporations Act, the ASX Listing Rules, the rights of any preference Shareholders and to the rights of the holders of any Shares created or raised under any special arrangement as to dividend, the Directors may from time to time decide to pay a dividend to the Shareholders entitled to the dividend which shall be payable on all Shares according to the

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proportion that the amount paid (not credited) is of the total amount paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends that they may determine. No dividend shall carry interest against the Company.

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

(d) **Winding-up**

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

The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

(e) **Transfer of Shares**

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

(f) **Variation of Rights**

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

6. Compliance with disclosure obligations

The Company is a “**disclosing entity**” under the Corporations Act and, as such, is subject to regular reporting and disclosure obligations under both the Corporations Act and the ASX Listing Rules.

These obligations require the Company to notify ASX of information about specific events and matters as they arise. In particular, the Company is obliged to continuously disclose to the market immediately any information which a reasonable person would expect to have a material effect on the price or the value of the Company’s 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

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report or review. Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office.

The Company will provide a copy of each of the following documents, free of charge, to any person on request:

- (a) the annual financial report most recently lodged by the Company with ASIC, being the financial report of the Company for the year ended 30 June 2017; and
- (b) any continuous disclosure documents given by the Company to ASX after the lodgement of the annual financial report referred to in (a) and before the lodgement of this Cleansing Notice with ASX.

As at the date of this Cleansing Notice, the Company has not lodged any continuous disclosure documents since the lodgement of the financial report referred to in (a).

7. Information excluded from continuous disclosure notices

As at the date of this Cleansing Notice, the Company advises that it has fully complied with its disclosure obligations under the ASX Listing Rules and the Corporations Act, and, in particular, there is no information which the Company has excluded from any of its continuous disclosure notices given in accordance with the ASX Listing Rules and the Corporations Act as at the date of this Cleansing Notice which it would be reasonable for investors and their professional advisers to require for the purpose of making an informed assessment of:

- (a) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
- (b) the rights and liabilities attaching to the Convertible Bonds and Shares.

For more information, please contact the undersigned on (+61) 2 8072 1400.

Yours faithfully



Anand Sundaraj
Company Secretary