

29 December 2021

Company Announcements Platform
Australian Securities Exchange
20 Bridge Street
Sydney NSW 2000

By Electronic Lodgement

NOTICE UNDER SECTION 708A(12C)(E) OF THE CORPORATIONS ACT 2001 (Cth)

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES

1 PURPOSE OF THIS NOTICE

This cleansing notice (**Cleansing Notice**) is given jointly by Harmony Corp Limited (NZCN 5177041; ARBN 645 036 595; ASX:HMY) (**Harmony** or the **Company**) and its wholly-owned subsidiary, Harmony Australia Pty Ltd (ACN 604 342 823) (**Issuer**) under section 708A(12J) of the *Corporations Act 2001* (Cth) (**Corporations Act**) and complies with section 708A(12K), as notionally inserted by ASIC Instrument 21-1072 (**ASIC Exemption**).

The ASIC Exemption is technical relief which has been given by the Australian Securities and Investments Commission (**ASIC**) from the on-sale restrictions of the Corporations Act so that any ordinary securities issued on conversion of convertible securities can be on-sold without a prospectus provided that a cleansing notice containing certain prescribed information is provided to ASX Limited (ABN 98 008 624 691) (**ASX**) at or just prior to the time the convertible securities are issued.

The convertible securities referred to in section 2 of this Cleansing Notice will be issued by the Issuer without disclosure to investors under Part 6D.2 of the Corporations Act. Each convertible security is a 'convertible note' within the meaning of the Corporations Act.

The purpose of this Cleansing Notice is to enable the fully paid ordinary shares in the capital of the Company (**Shares**) that may be issued on the conversion of the convertible securities to be on-sold to retail investors without a prospectus in accordance with the ASIC Exemption.

This Cleansing Notice is an important document and should be read in its entirety. No offer or invitation is made pursuant to this Cleansing Notice for any person to subscribe for or apply to acquire any of the convertible notes, or other securities issued by the Company or the Issuer. You are not required to do anything in response to this notice. Neither ASIC nor ASX takes any responsibility for the contents of this Cleansing Notice.

2 BACKGROUND

The Company announced on 29 December 2021, the signing of a A\$20 million financing package (**Facility**) involving, in part, the issue of secured convertible securities up to an aggregate amount of A\$8 million (**Convertible Notes**) by the Issuer to certain wholesale investors within Australia and in certain foreign jurisdictions (**Investors**). Each of the Investors are professional investors or sophisticated investors for the purposes of section 708 of the Corporations Act.

From the closing of the Facility, the Investors are required to advance to the Issuer up to A\$20 million (**Facility Amount**) and the Issuer is required to issue Convertible Notes to the Investors with an aggregate face value of up to A\$8 million with a term of 36 month (with the option to extend the term to 42 months) on the terms set out in the Loan Note Subscription Agreement entered into between, *amongst others*, the Issuer, the Company and the Investors and dated 24 December 2021 (**Subscription Agreement**).

The Convertible Notes and any Shares to be issued on conversion of the Convertible Notes will be issued under the Company's available placement capacity under ASX Listing Rule 7.1.

The directors of the Company consider that the raising of capital by the issue of the Convertible Notes on the terms of the Subscription Agreement is in the best interests of the Company and the Issuer.

3 The effect of the issue on the Company and Issuer

3.1 Summary

The principal effects of the issue by the Issuer of the Convertible Notes, and any subsequent issue by the Company of Shares on conversion of the Convertible Notes, on the Company and the Issuer will be as follows:

- (a) the Issuer will issue the Convertible Notes;
- (b) the issue of the Convertible Notes will:
 - (i) increase the Harmony Group's cash reserves by a maximum of A\$20 million (before any expenses associated with the issue of the Convertible Notes);
 - (ii) impose on the Company (and certain of its subsidiaries, including the Issuer) obligations (financial or otherwise) and restrictions in relation to its business operations aimed protecting the interests of the Investors under the terms of the Subscription Agreement;
 - (iii) increase the Harmony Group's indebtedness by an amount equal to A\$20 million plus all accrued and unpaid interest;
- (c) the Issuer may elect to redeem the outstanding value of the Convertible Notes in certain customary circumstances provided that if the Convertible Notes were to be redeemed prior to their stated maturity date, the Company must grant to the Investors a call option to subscribe for the number of Shares that will be determined by reference to the aggregate face value of the outstanding Convertible Notes, such call option to be exercisable by the option holders during an exercise period referable to the remaining term of the Convertible Notes as if the Convertible Notes were not redeemed early;
- (d) the Investors may elect to convert the Convertible Notes to Shares at any time during the term of the Convertible Notes; and
- (e) if the Convertible Notes are converted to Shares, either in whole or in part, the issue of Shares will increase the number of Shares on issue. This will dilute existing Shareholders and will decrease the Harmony Group's indebtedness accordingly. The potential effect of the conversion and the issue of Shares on the Company's capital structure is shown in further detail below.

3.2 Rights and liabilities attaching to the Convertible Notes

A summary of the key rights and liabilities attaching to the Convertible Notes is set out in Schedule 1 of this Cleansing Notice. That summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of the Investors.

3.3 Rights and liabilities attaching to Shares issued on conversion of the Convertible Notes

A summary of the rights and liabilities attaching to Shares, including the Shares to be issued to the Investors on conversion of the Convertible Notes, is set out below.

The summary is not exhaustive and does not purport to constitute a definitive statement of the rights and liabilities of Shareholders and is qualified by the terms of the Company's Constitution (a full copy of which is available from Company on request free of charge).

Ranking of Shares

At the date of this Cleansing Notice, all shares are of the same class and rank equally in all respects. Specifically, the Shares issued on conversion of the Convertible Notes will rank equally with existing Shares.

Voting rights

Subject to any special rights or restrictions (at present there are none), at a general meeting every shareholder present in person and each other person present as proxy, attorney or representative has one vote on a show of hands, and on a poll each shareholder present in person has one vote for each Share held and each person present as proxy, attorney or representative of a shareholder has one vote for each Share held by the Shareholder that person represents (with adjusted voting rights for partly paid ordinary Shares).

Dividend rights

Subject to the Company's Constitution and the terms of issue or rights of any Shares with special rights to dividends (at present there are none), the board of the Company may from time to time authorise a dividend.

Variation of rights

The rights attaching to the Shares may only be varied by the consent in writing of the holders of 75% of the Shares, or with the sanction of a special resolution passed at a general meeting.

The Company's Constitution can only be amended by a special resolution passed by at least three quarters of the holders of the Shares present (in person or by proxy) and entitled to vote and voting on the resolution at a general meeting.

Transfer of Shares

Subject to the Company's Constitution, the *Companies Act 1993* (NZ) (**Companies Act**), the ASX Listing Rules and the ASX Settlement Operating Rules, Shares may be transferred.

Issue of further Shares

Subject to the ASX Listing Rules and any rights and restrictions attached to Shares, the board of the Company has full discretion to issue, consolidate or subdivide Shares and grant options over unissued Shares.

General meetings

Subject to any restrictions in the Company's Constitution, the Companies Act and any rights or restrictions attached to any class or classes of Shares, each shareholder is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, reports, accounts and other documents required to be sent to Shareholders under the Company's Constitution, the Companies Act and the ASX Listing Rules.

Rights on winding up

If the Company is liquidated, the liquidator may, with the sanction of an ordinary resolution of shareholders, divide among the shareholders in kind the whole or any part of the Company's surplus assets, attribute values to assets the liquidator considers appropriate and determine how the division is to be carried out between the shareholders or different classes of shareholders.

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

Set out below is a pro forma consolidated Statement of Financial Position as at 30 June 2021 for the Company, based on the consolidated Statement of Financial Position as at 30 June 2021 for the Company and adjusted to reflect the issue of Convertible Notes issued by the Issuer (exclusive of costs), and prepared on the basis of the accounting policies normally adopted by the Company.

This table should be read in conjunction with the last audited Annual Report for the year ended 30 June 2021.

The following adjustments and assumptions have been made in relation to the table:

- (a) The pro forma financial information is presented in an abbreviated form and does not include all of the disclosures required by the New Zealand equivalents to the International Financial Reporting Standards applicable to the annual financial statements. The pro forma financial information is not audited.
- (b) Cash proceeds of up to A\$20 million arising from the drawdown of funds under the Facility, including from the issue of the Convertible Notes, have been recognised. The Convertible Notes have been provisionally accounted for as financial liabilities and presented in non-current borrowings.
- (c) The provisional accounting for the Convertible Notes and allocations between liabilities and equity may change in the future.
- (d) Transaction costs have not been included. However, when incurred they will reduce the carrying amount of the liability and be amortised over the life of the Convertible Notes.
- (e) The adjustments are reflected at an NZD/AUD exchange rate of 0.9500.

Harmoney Corp Limited (NZCN 5177041; ARBN 645 036 595) Pro forma Statement of Financial Position as at 30 June 2021

	Actual 30 June 2021 \$'000	Convertible Notes Issued \$'000	Pro forma 30 June 2021 \$'000
<i>Assets</i>			
Cash and cash equivalents	76,464	21,053	97,517
Trade and other assets	1,894	-	1,894
Finance receivables	294,821	-	294,821
Property and equipment	642	-	642
Intangible assets	3,455	-	3,455
Deferred tax assets	11,490	-	11,490

Total assets	388,766	21,053	409,819
<i>Liabilities</i>			
Payables and accruals	7,324	-	7,324
Borrowings	291,541	12,632	304,173
Convertible note	-	8,421	8,421
Provisions	13,405	-	13,405
Lease liability	717	-	717
Derivative financial instruments	85	-	85
Total liabilities	313,072	21,503	334,125
Net assets	75,694	-	75,694
Share capital	131,399	-	131,399
Foreign currency translation reserve	564	-	564
Share based payment reserve	216	-	216
Cash flow hedge reserve	(85)	-	(85)
Accumulated losses	(56,400)	-	(56,400)
Equity	75,694	-	75,694

3.5 Potential effect on capital structure

The effect of conversion of the Convertible Notes on the Company's issued share capital will depend on what portion (if any) of the Convertible Notes are converted to Shares at any one time.

As at the date of this Cleansing Notice, the issued capital of the Company and warrants and performance rights held in respect of the Company, including the Convertible Notes, is as follows:

Type of security	Securities on issue as at the date of this Cleansing Notice	Number on issue on date of Closing of Subscription Agreement	Number on issue assuming full conversion of the Convertible Notes
Shares	101,018,964	101,018,964	104,352,297
Warrants	181,364	181,364	181,364
Performance Rights	8,696,000	8,696,000	8,696,000
Convertible Notes	0	8,000,000	0

The Convertible Notes are convertible into Shares at the conversion price at A\$2.40 per share.

Assuming that all Convertible Notes are converted at the conversion price of A\$2.40 per share, then the number of Shares issued on conversion would be 3,333,333 Shares (exclusive of any Shares that could be issued on conversion of any accrued, but unpaid, interest).

The actual effect on the capital structure of the Company will differ depending on how many Convertible Notes are converted. As at the date of this Cleansing Notice, no Convertible Notes have been converted.

3.6 Potential effect on control of the Company

The table below shows the indicative percentage ownership of Shares by the Investors if all of the Convertible Securities are converted to Shares. This table is illustrative only and the actual number of Shares that may be issued on conversion of the Convertible Securities will depend on the circumstances at the time of conversion (e.g. in circumstances where the Investor elects to convert due to a change of control of the Company). The table below is also based on the number of Shares issued by the Company on the date of this Cleansing Notice.

	Prior to entry into the Subscription Agreement	On date of Closing of Subscription Agreement	Assuming full conversion of the Convertible Notes ¹
Percentage ownership of Shares by the Investors	0%	0%	3.19%

3.7 Compliance with disclosure obligations

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

Broadly, these obligations require:

- (a) the Company to notify ASX immediately of any information (subject to certain exceptions) of which it is or becomes aware which a reasonable person would expect to have a material effect on the price value of its securities. That information is available to the public from ASX; and
- (b) the preparation of yearly and half-yearly financial statements and a report of the Company’s operations during the relevant account period, together with an audit or review report prepared by the Company’s auditor. These documents are lodged with the New Zealand Companies Office (**NZ Companies Office**), ASIC and/or ASX. The financial statements of the Company are prepared in accordance with New Zealand Generally Accepted Accounting Practice. The Company complies with the New Zealand equivalents to the International Financial Reporting Standards, and other applicable financial reporting standards as appropriate.

Copies of documents lodged with the NZ Companies Office or ASIC in relation to the Company may be obtained from, or inspected at, the office of the NZ Companies Office or an ASIC office (as applicable). The Company will provide a copy of each of the following documents, free of charge, to any person on request:

¹ Calculated on the basis of the 3,333,333 Shares issued on conversion of the Convertible Notes issued in accordance with the Subscription Agreement.

- (a) the annual financial report most recently lodged by the Company with the NZ Companies Office or ASIC, being the financial report of the Company for the year ended 30 June 2021 (**2021 Financial Report**);
- (b) any half-year financial report lodged by the Company with the NZ Companies Office or ASIC after the lodgement of the 2021 Financial Report and before the lodgement of this Cleansing Notice with ASX; and
- (c) any of the other continuous disclosure documents given by the Company to ASX after the lodgement of the 2021 Financial Report and before the lodgement of this Cleansing Notice with ASX.

A list of the continuous disclosure documents given by the Company to ASX after the lodgement of the 2021 Financial Report and before the lodgement of this Cleansing Notice is set out in the table below.

Date	Announcement
31 August 2021	Market announcement regarding FY21 results
31 August 2021	Media release regarding FY21 results
14 October 2021	Market announcement regarding Q1 FY22 results
25 October 2021	Market announcement of establishment of asset-backed securitisation transaction
24 November 2021	Trading update
29 November 2021	Trading update provided during 2021 annual meeting of shareholders
1 December 2021	Appendix 3G - Notification regarding unquoted securities
1 December 2021	Appendix 3G - Notification regarding unquoted securities
1 December 2021	Appendix 2A - Application for quotation of securities
1 December 2021	Appendix 3H - Notification of cessation of securities
1 December 2021	Appendix 3Y - Change of Director's Interest Notice - David Stevens
1 December 2021	Appendix 3Y - Change of Director's Interest Notice – Neil Roberts

3.8 Information excluded from continuous disclosure notices

As at the date of this Cleansing Notice, other than as set out in this Cleansing Notice, the Company advises that there is no information that:

- (a) the Company has excluded from a continuous disclosure notice in accordance with the ASX Listing Rules; and
- (b) is information that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of:

- (i) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
- (ii) the rights and liabilities of the Convertible Notes offered by the Issuer and the underlying Shares offered by the Company.

For queries please contact:

Corporate/Investors

David Stevens

CEO & Managing Director

investors@harmoney.co.nz

Investors

Stephanie Ottens

Investor Relations

stephanie.ottens@marketeye.com.au

+61 434 405 400

This announcement has been authorised by the board of Harmoney Corp Limited and the board of Harmoney Australia Pty Ltd.

Schedule 1: Summary of key terms of the Convertible Notes

Issuer and Borrower:	Harmony Australia Pty Ltd (ACN 604 342 823)
Guarantors:	The Company and certain of its subsidiaries.
Quotation:	The Convertible Notes will be unlisted and accordingly, will not be quoted on ASX.
Closing / Issue Date:	The Convertible Notes under Tranche 1 (described below) are issued on or about 29 December 2021; issuance under Tranche 2 and Tranche 3 (described below) will be issued on the dates determined in accordance with the Subscription Agreement.
Conditions:	<p>The obligations of the Investors to subscribe for the Convertible Notes and advance the funds are subject to a number of conditions, including but not limited to:</p> <ul style="list-style-type: none"> (a) the Company having existing placement capacity; and (b) the conditions set out in the Subscription Agreement having been satisfied by the Issuer, including financial covenants based on the performance of Company and its subsidiaries (Group).
Funded Amount:	<p>Convertible Notes aggregating A\$8,000,000 provided in 3 tranches as follows:</p> <p>Tranche 1 - \$4,000,000 Tranche 2 - \$2,000,000 Tranche 3 - \$2,000,000</p> <p>Utilisation of the Tranche 3 Facility is subject to the Group meeting one of two growth milestones calculated on the basis of the Group's revenue and aggregate amount of receivables generated.</p>
Face Value:	The Convertible Notes will be issued with a Face Value of A\$1.00.
Interest:	The interest rate on each Convertible Note is 9.90% per annum payable monthly in advance or arrears as described in the Subscription Agreement.
Status and Ranking:	The Convertible Notes will rank equally amongst themselves and will rank in priority to all other direct, unsubordinated and unsecured obligations of the Issuer.
Security and Collateral:	<p>The Convertible Notes are secured by the following security interests granted by the Issuer and each of the Guarantors:</p> <ul style="list-style-type: none"> (a) Guarantee and indemnity by each Guarantor; (b) first ranking General Security Deed (AUS and NZ) over the assets of the Issuer and each Guarantor. The assets subject to the security include:

	<ul style="list-style-type: none"> • each entity's investment in the shares of its subsidiaries or another entity • all leases, licenses, material contracts • all movable assets • all real property (if and when acquired); <p>with carve outs/exemptions where third party consent to granting security is required; and</p> <p>(c) a first ranking Specific Security Deed (AUS) granting by the Company over the shares of the Issuer and Harmony Services Australia Pty Ltd.</p>
Negative Pledge:	The Convertible Notes will have the benefit of a negative pledge as regards the encumbrance of its present and future assets or revenues with agreed carve outs to allow the Issuer and the Guarantors to grant security over its assets in certain circumstances.
Maturity Date and extension:	<p>The Convertible Notes will mature 36 months from the Closing Date (the date of the completion of the Facility) with an option for the Issuer to extend the maturity date to date which is 42 months after the Closing Date if certain conditions are met.</p> <p>The initial maturity date of the Convertible Notes may be extended if certain conditions (based on the revenue of the Group and the aggregate amount of receivables generated) are met.</p>
Conversion:	<p>The Convertible Notes may be converted to fully paid ordinary shares of the Company (Shares) within 5 Business Days of receipt of a duly completed and executed conversion notice from an Investor.</p> <p>The Convertible Notes will be converted into the number of Shares by dividing:</p> <ul style="list-style-type: none"> ▪ X, being the aggregate principal amount of the Convertible Notes (together with accrued and unpaid interest thereon) held by that Investors, by ▪ Y, being 2.40. <p>An Investor must convert all the Convertible Notes held by it in one exercise of the conversion option.</p>
Redemption by the Issuer:	<p>The Issuer may redeem some or all of the outstanding Convertible Notes (other than those Convertible Notes for which the Investor has already given a Conversion Notice to the Issue) in the following circumstances:</p> <ul style="list-style-type: none"> • with 10 Business Days' notice to the Investors plus the payment of the Early Termination Fee and each Investor being granted a call option to subscribe for the Shares (see below for the description of the call option); and • on the occurrence of the following events: <ul style="list-style-type: none"> - if any Obligor (Issuer or a Guarantor) disposes any of its assets other than pursuant to a "Permitted Disposal" (as defined in the Subscription Agreement). All disposal proceeds are repayable; - receipt of insurance proceeds in excess of NZ\$500,000; and

	<p>- a refinancing of the Convertible Notes- all amounts of Convertible Notes refinanced are repayable.</p> <p>The Company must pay the Investor the outstanding face value of the Convertible Notes plus the Early Redemption Fee plus any other amounts outstanding under the Subscription Agreement (including all accrued but unpaid interest).</p>
Early Redemption Fee:	<p>An Early Redemption Fee (EDF) is payable in the following circumstances:</p> <ul style="list-style-type: none"> • on early redemption of the Convertible Notes as set out above; • on the repayment of the Convertible Notes following the occurrence of an Event of Default (other than in respect of the insolvency, insolvency proceedings, unlawfulness, Material Adverse Effect, Vitiating of Transaction Documents or Litigation Event of Default); and • any other early termination; for example, due to illegality. <p>The amount of the EDF payable is set out below. If the early redemption occurs:</p> <ul style="list-style-type: none"> • prior to the first anniversary of the Closing Date, the EDF is the aggregate interest amount that would have been payable from the early redemption date to the maturity date discounted by 25%; • between the first anniversary and the second anniversary of the Closing Date, the EDF is the aggregate interest amount that would have been payable from the early redemption date to the maturity date discounted by 50%; • between the second anniversary and the third anniversary of the Closing Date, the EDF is 1% of the Face Value of the Convertible Notes outstanding; or • after the third anniversary of the Closing Date, the EDF is 0.50% of the Face Value of the Convertible Notes outstanding.
Events of Default:	<p>Customary for this type of facility including Material Adverse Effect, Securitisation Default, Litigation and Suspension from trading, subject to negotiated thresholds.</p>
Review Event:	<p>A Securitisation Default would give rise to a "Review Event".</p> <p>"Securitisation Default" means any event of default (however defined) under a securitisation financing vehicle operated by the Group.</p> <p>If a Review Event occurs, the Issuer and the Investors will consult for 30 days so that the Investors can determine if the Facility can continue. If no resolution is reached between the Investors and the Issuer at the end of the 30 day period, then the Investors who together hold more than 50.1% of all securities issued pursuant to the Subscription Agreement (Majority Investors) may declare all amounts outstanding under the Subscription Agreement (including all amounts outstanding under the Convertible Notes) (Outstanding Amount) to be due and payable and the Issuer will be required to redeem all outstanding within 60 Business Days of notice being provided by or on behalf of the Majority Investors.</p>
Call Option:	<p>If the Issuer intends to early redeem the Convertible Notes, then the Company must grant each Investor a call option to subscribe for the Shares in the Company pursuant to a Call Option Deed (Call Option</p>

	<p>Deed).</p> <p>The key terms of the call options are as follows:</p> <ul style="list-style-type: none"> • an Investor shall be entitled to exercise the call option to subscribe for a number of shares on the “Exercise Completion Date” determined by dividing (x) the aggregate principal amount of the Securities (together with accrued and unpaid interest thereon) held by that Investor prior to their redemption and (y) the pre-determined Exercise Price in accordance with the terms of the Call Option Deed; • an Investor may exercise the call option to subscribe for the Shares (by itself or by a Nominee) by delivering to the Company an Exercise Notice specifying, among other matters, the proposed Exercise Completion Date; • under the Call Option Deed, if at the time of exercise of the call option the Fair Market Value of a share exceeds the Exercise Price, the Investor may elect in the Exercise Notice to subscribe for and receive a reduced number of shares calculated as follows for no cash consideration: $X = Y \cdot (A - B) / A$ <p>Where:</p> <p>X is the number of Option Shares to be issued to the Investor</p> <p>Y is the number of Option Shares that the Investor would have received if it had exercised the Call Option and paid the subscription price in cash</p> <p>A is the Fair Market Value of one share</p> <p>B is the Exercise Price</p> <ul style="list-style-type: none"> • The Fair Market Value of a share means the closing price on ASX for shares (as published or derived from ASX or such other source as the Company may determine) on the last trading day on which ASX is open for business immediately before the date that a validly completed and duly executed Exercise Notice is given to the Company. • The Call Option Deed sets out rights for the exercise, or deemed exercise, of the call option if a “Control Event” has occurred, being: <ul style="list-style-type: none"> (a) all shares are delisted from the ASX (separate to the occurrence of an Acquisition); or (b) an Acquisition occurs (as such term is defined in the Call Option Deed).
--	---

	<ul style="list-style-type: none"> In the case of a Control Event relating to the sale of all or substantially all of the assets of the Group or a delisting of all the Shares from the ASX, the Investors may require the Company to buy-back the call option (provided that the Company is only required to buy-back the call option where the Company has available funds as a result of the Control Event to fund the buy-back as well as to meet its ongoing working capital requirements) for an aggregate price which is equal to: $A = (B - C) \times D$ where: A is amount payable to the Investor; B is the highest price per share that the purchaser pays on implementation of the Control Event; C is the Exercise Price in respect of each Option Share; and D is the number of Option Shares for which the call option is exercisable.
Transfer:	The Securities are initially non-transferrable, except to other Sophisticated Investors or Professional Investors (within the meaning of the Corporations Act) with the consent of the Issuer.
Governing law:	The Subscription Agreement is governed by the laws of New South Wales.