

Target Market Determination – Option Issue

Made by: 1414 Degrees Limited ACN 138 803 620 (**Company**)

Product: Unlisted options exercisable at \$0.10 each on or before the day that is 24 months after the date of issue (**Options**) issued in connection with offers made under the transaction specific prospectus issued by the Company dated 14 July 2023 (**Prospectus**)

Effective Date: 14 July 2023

1. Background

This target market determination (**TMD**) has been prepared by the Company in relation to Offers to issue Options made by the Company under the Prospectus pursuant to section 713 of the *Corporations Act 2001* (Cth) (**Corporations Act**) and has been designed to help investors understand who the Options offered under the Prospectus are most suitable for.

This TMD sets out the class of consumers for which the Options would likely be consistent with their financial objectives, the distribution conditions and restrictions imposed on the distribution of the Options as well as reporting requirements for distributors in accordance with the requirements of section 994B of the Corporations Act.

A copy of the Prospectus is available on the Company's website, <https://1414degrees.com.au/>. The Offers will be made under, or accompanied by, a copy of the Prospectus. Any recipient of this TMD should carefully read and consider the Prospectus in full and consult their professional adviser if they have any questions regarding the contents of the Prospectus.

This TMD is not a disclosure document for the purposes of the Corporations Act, and does not provide a full summary of the product features or terms of the Options and therefore has not been lodged, and does not require lodgement, with the Australian Securities and Investments Commission (**ASIC**). This TMD is not to be used except for the purpose of a regulated person complying with their obligations under Part 7.8A of the Corporations Act. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. This TMD is not intended to provide you with financial advice or take into account your objectives, financial situations or needs. It is important for you to consider these matters and read the Prospectus before you make an investment decision. The Company is not licensed to provide financial product advice in relation to the Options.

Unless otherwise defined in this TMD, capitalised terms have the meaning given to them in the Prospectus.

2. Product information

The key features of the Options are as follows:

Eligibility

The offer of Options under the Prospectus is being made to:

- Eligible Shareholders who apply for and are issued New Shares under the Entitlement Offer or the Top Up Facility on the basis of one free-attaching Option for each New Share applied for and issued to that Eligible Shareholder;
- professional and sophisticated investors who apply for and are issued Shortfall Offer Shares under the Shortfall Offer on the basis of one free-attaching Option for each Shortfall Offer Share applied for and issued to that investor;
- professional and sophisticated investors who apply for and are issued Conditional Placement Offer Shares under the Conditional Placement

	<p>Offer (which is a conditional Offer as detailed in the Prospectus) on the basis of one free-attaching Option for each Conditional Placement Offer Share applied for and issued to that investor; and</p> <ul style="list-style-type: none"> • Taylor Collison Limited (Lead Manager) or its nominee(s) in accordance with the Lead Manager Options Offer, <p>in each case as detailed and on the terms and conditions set out in the Prospectus.</p>
Exercise price	The exercise price of the Options will be \$0.10.
Expiry date	The Options will expire at 5:00pm (AEST) on the day that is 24 months after the date of issue (Expiry Date). An Option not exercised before 5:00pm (AEST) on the Expiry Date will automatically lapse at that time.
Exercise period	The Options are exercisable at any time from the date of issue until 5:00pm (AEST) on the Expiry Date.
Shares issued on exercise	Shares issued on exercise of the Options will rank equally with the Shares on issue as at the date of the Prospectus.
Transferability	The Options are only transferable up until they lapse, with the Company's prior written consent.

3. Target market

The objectives, financial situation and needs of investors which are suitable for investment in the Options and an explanation of why those particular financial circumstances are suitable are provided below:

Investment Objective	The Company expects that an investment in Options will be suitable to investors who wish to gain exposure to equities in a small-cap company listed on the Australian Securities Exchange (ASX) seeking to develop and commercialise energy storage technology. In particular, as the Options may be exercised at any time within two years of their issue date, the Company expects that an investment in the Options will be suitable to investors who wish to have the right, but not obligation, in the short to medium term to acquire Shares in the Company at the exercise price of \$0.10 per Option.
Investment Timeframe	<p>The target market of investors might take a short or medium-term outlook on their investment. Investors with a short-term outlook for their investment may benefit from an ability to exercise Options and trade the underlying Shares issued on exercise should the exercise price of the Options be lower than the trading price of Shares. Investors with a medium-term outlook may benefit from an ability to exercise the Options within the two-year term of the Options and increase their shareholding and exposure to any potential upside in the Company's Shares into the future.</p> <p>Given the need to pay the exercise price in order to acquire Shares, investors in the target market are able to invest their funds over a two-year time horizon should they wish to exercise their Options. Any decision to exercise the Options is likely to be based on the trading price of the Shares.</p>
Investment Metrics	While the Company does not have an established eligibility framework for investors based on metrics such as employment status, income levels, age, expected return or volatility, it is expected that the target market of investors will be those investors that wish to obtain optionality for exposure to the Company's ongoing operations and projects.

	<p>An exercise price is required to be paid to acquire Shares on exercise of Options. As such, the capacity to realise the underlying value of the Options would require that they be exercised on or before the Expiry Date. Investors in the target market will need to be in a financial position to have sufficient available funds so as to facilitate an exercise of the Options prior to the Expiry Date. Prior to the Expiry Date, investors' ability to liquidate the Options may be limited by a lack of liquidity in the trading of Shares and the price of the Shares.</p> <p>The Options offer no guaranteed income or capital protection.</p>
Risks	<p>The Company considers that an investment in the Options will have a different risk profile to a direct upfront investment in Shares, including due to the fact that there is no obligation to exercise the Options prior to the Expiry Date.</p> <p>Investors should consider the risk that there is no guarantee that the Company's Share price will exceed the exercise price of the Options. Investors should take this into consideration in subscribing for Shares and taking up their right to the free attaching Options under the Offers. The Options are not considered appropriate for an investor who would not be able to bear a loss of some or all of their investment in Shares and Options.</p> <p>Investors should also have a sufficient level of financial literacy to understand and appreciate the risks of investing in options as an asset class generally and the more specific risks of investing in the Company.</p> <p>Specific risks relating to the Company and an investment in the Shares will be set out in the Prospectus and investors should review those risks carefully before deciding whether to invest.</p>

The Options are not suitable for investors:

- (a) who are not seeking to have the potential to increase their investment in the Company; and
- (b) who do not understand and appreciate the risks of investing in options as an asset class generally and the more specific risks of investing in the Company.

The Company has assessed the Options and formed the view that the Options, including the key attributes set out in section 2, are likely to be consistent with the objectives, financial situation and needs of investors in the target market as described above in this section 3.

4. **Distribution conditions**

The offer of Options under the Prospectus is being made to Eligible Shareholders under the Entitlement Offer and the Top Up Facility, professional and sophisticated investors under the Shortfall Offer and the Conditional Placement Offer (which is a conditional offer) and the Lead Manager under the Lead Manager Options Offer as detailed in section 2 above.

The Prospectus will include jurisdictional conditions on eligibility. The Company will also include on its web landing page for the offer of Options a copy of this TMD and require that retail clients confirm that they meet the eligibility criteria of the expected target market outlined in this TMD before they apply for Options.

The Company considers that these distribution conditions will ensure that persons who invest in Options fall within the target market in circumstances where personal advice is not being provided to those persons by the Company.

5. **Review triggers**

The Options are being offered for a limited offer period set out in the Prospectus, after the conclusion of which the Options will no longer be available for investment by way of issue. It follows that the TMD will only apply in the period between the commencement of the offer of the Options under the Prospectus and the issue of the Shares shortly after the close of the Offers (**Offer Period**), after which the TMD will be withdrawn.

To allow the Company to determine whether circumstances exist that indicate this TMD is no longer appropriate and that distribution of the Options should cease, the following review triggers will apply for the Offer Period:

- (a) there is a material change to the Options' key attributes that make it no longer consistent with the likely objectives, financial situation and needs of clients in the target market;
- (b) the Company lodges with ASIC a supplementary or replacement prospectus in relation to the Prospectus;
- (c) the occurrence of a significant dealing in Options that is not consistent with this TMD;
- (d) the Company identifies a substantial divergence in how the Options are being distributed and purchased from this TMD;
- (e) an unexpectedly high number of complaints are received from customers that indicate the Options are not suitable for the target market or the product is not being distributed to the target market; and
- (f) material changes to the regulatory environment that applies to an investment in the Options.

The Company may also update or amend this TMD at any time.

6. Review

If a review trigger occurs during the Offer Period, the Company will undertake a review of the TMD in light of the review trigger as soon as reasonably practicable and, in any case, within 10 business days of the review trigger occurring.

The TMD will be reviewed on a monthly basis during the Offer Period unless the Offer Period is shorter than one month, in which case, periodic reviews of the TMD will not occur during the Offer Period.

7. Reporting requirements

The reporting requirements of all distributors (such as the Lead Manager) is detailed in the table below:

Reporting requirement	Period for reporting to the Company by the distributor	Information to be provided
Whether the distributor received complaints about the Options	<ul style="list-style-type: none"> • For such time as the Offer Period remains open, within 5 business days after the end of each quarter. • Within 5 business days after the end of the Offer Period. 	<ul style="list-style-type: none"> • The number of complaints received. • A summary of the nature of each complaint or a copy of each complaint.
A significant dealing of the Options that is not consistent with this TMD	As soon as reasonably practicable after the significant dealing occurs, but in any event no later than 5 business days after the significant dealing occurs.	<ul style="list-style-type: none"> • Details of the significant dealing. • Reasons why the distributor considers that the significant dealing is not consistent with this TMD.
A summary of the steps taken by the distributor to ensure that its conduct was consistent with this TMD.	Within 5 business days after the end of the Offer Period.	A summary of the steps taken by the distributor to ensure that its conduct was consistent with this TMD.

8. Authorisation

This TMD has been authorised for release by the Board of Directors of 1414 Degrees Limited.