



18 November 2019

The Manager
Company Announcements Office
ASX Limited
20 Bridge Street
Sydney NSW 2000

Notice under Section 708A(12C)(e) of the Corporations Act 2001 (Cth)

Dear Sir

Aura Energy Limited (**Company**) has prepared this cleansing notice (**Cleansing Notice**) for the purposes of section 708A(12C)(e) of the *Corporations Act 2001* (Cth) (**Corporations Act**) (as inserted by *ASIC Corporations (Sale Offers: Securities Issued on Conversion of Convertible Notes) Instrument 2016/82*) to permit fully paid ordinary shares in the capital of the Company (**Shares**) to be issued on conversion of the Follow-on Convertible Note (defined below) issued by the Company to Lind Global Macro Fund LP (**Investor**) to be on-sold to retail investors.

This notice is important and should be read in its entirety. Neither the Australian Securities & Investments Commission (**ASIC**) nor the Australian Securities Exchange takes responsibility for the contents of this Cleansing Notice.

1. Background to Cleansing Notice

The Company entered into a convertible note agreement dated 30 April 2019 with the Investor (**Agreement**) (an unrelated third party and existing shareholder) pursuant to which the Company issued a convertible note with a face value of \$2,400,000 to the Investor (**Original Convertible Note**). Under the Original Convertible Note, the Investor advanced the principal amount of \$2,000,000 to the Company, subject to certain conditions precedent being satisfied (as set out in paragraph 5 below).

On 19 June 2019, the Company secured shareholder approval for the issue to the Investor of a replacement convertible security note (**Replacement Convertible Note**) on the same terms as those set out in the Original Convertible Note issued on 30 April 2019 (**June Meeting**).

As at the date of this announcement, the Investor has been issued 56,349,209 Shares under the Replacement Convertible Note since the June Meeting with the Investor converting A\$400,000 into Shares.

On 18 November 2019 (**Variation Date**), the Company entered into a deed of variation with the Investor to modify the Agreement to permit the Investor to lend a second advance of \$350,000 pursuant to a convertible note with a face value of A\$420,000 (**Follow-On Convertible Note**). Other than the terms of the Follow-On Convertible Note specified below, the terms of the Agreement remain the same.

Pursuant to the Follow-On Convertible Note, the Company will issue the Investor with the following securities in part consideration for the advance of \$350,000:

- 20,000,000 Options exercisable at 130% of the average of the 20 daily VWAPs over the 20 trading days immediately prior to the Variation Date, expiring 36 months after the follow on closing; and

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- 8,750,000 Shares as collateral shares on the same terms as under the Agreement (refer to paragraph 5 for further detail).

In accordance with the Agreement, the Company is obligated to complete the following within 90 days:

- seek shareholder approval at a general meeting to issue the Investor with a replacement follow-on convertible security note on the same terms as the Agreement (**Replacement Follow-on Convertible Note**);
- issue a Replacement Follow-on Convertible Note to the Investor; and
- give the Cleansing Notice to ASX in respect of the Replacement Follow-on Convertible Note.

The Company proposes to conduct a general meeting on or about 27 December 2019 to seek approval for the issuance of the Replacement Follow-on Convertible Note to the Investor. If shareholders do not approve the issue of the Replacement Follow-On Convertible Note, the Company will be in default under both the Original Convertible Note and the Follow-On Convertible Note, triggering the Company's obligation to repay the outstanding amount under both convertible securities.

The Follow-on Convertible Note is the subject of this Cleansing Notice.

The key terms of the Follow-On Convertible Note are set out in paragraph 5 below.

The Company gives notice that:

- the Company issued the Follow-On Convertible Note without disclosure to investors under Part 6D.2 of the Corporations Act; and
- this notice is given in accordance with section 708A(12C)(e) of the Corporations Act.

2. Contents of Cleansing Notice

This Cleansing Notice sets out information investors and their professional advisers would reasonably require to make an informed assessment of the effect of the issue of the Follow-on Convertible Note on the Company and summarises the rights and liabilities attaching to the Follow-on Convertible Note and the Shares that will be issued on conversion of the Follow-on Convertible Note.

3. Effect of issue of Follow-On Convertible Note on the Company

The Follow-On Convertible Note was issued to the Investor without disclosure to investors under Part 6D.2 of the Corporations Act and without shareholder approval.

The issue of the Follow-On Convertible Note will have the following effect on the Company:

- the Follow-On Convertible Note has a face value of AUD \$420,000 and is secured until the Company repays the outstanding amount of \$2,420,000 that is due on the Replacement Convertible Note and the Follow-On Convertible Note, either by way of Shares issued on conversion of the Replacement Convertible Note and Follow-On Convertible Note or by cash at the maturity date;

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- the Investor may convert at its discretion, in whole or in part, an aggregate of 55,702,918 Shares under the Follow-On Convertible Note in accordance with the formula set out in paragraph 5 below; and
- subject to shareholders approving the issue of the Replacement Follow-On Convertible Note to the Investor, the Investor will have discretion to convert the Replacement Follow-on Convertible Note in any amount it sees fit, up to the value of \$420,000 less any amounts previously converted under the convertible security.

For the avoidance of doubt, the Investor is not obligated to convert any amounts under the Follow-On Convertible Note. As at the date of this Cleansing Notice, the Investor has converted 56,349,209 Shares pursuant to the Replacement Convertible Note the subject of the Company's previous cleansing notice dated 25 July 2019 (**Previous Cleansing Notice**).

Effect on capital structure

As at the date of this Cleansing Notice, the capital structure of the Company is as follows:

	Number of Shares	Number of Unlisted Options	Performance Rights
Balance at the date of this Cleansing Notice	1,323,940,556	118,797,589	27,500,000
Total	1,323,940,556¹	118,797,589²	27,500,000

Notes:

1. This figure includes the issue of 8,750,000 Shares (as collateral shares) that was made to the Investor on the same date as this Cleansing Notice.
2. This figure includes the issue of 20,000,000 Options to the Investor on the terms set out paragraph 5..

The Follow-On Convertible Note is convertible into Shares based on the conversion formula set out in paragraph 5 below. The number of Shares issued to the Investor on conversion and the drawdown amount will depend on various factors, including, the volume weighted average price (**VWAP**) for Shares as at the conversion date.

The tables below demonstrate the potential effect of the conversion of the Replacement Convertible Note and the Follow-on Convertible Note on the capital structure as at:

- the date of this Cleansing Notice, and
- following the issue of the Follow-On Convertible Note to the Investor.

Effect of the issue of the Follow-on Convertible Note on Company as at date of Cleansing Notice

This table demonstrates the maximum dilution effect of the Follow-On Convertible Note on the Company as at the date of this Cleansing Notice. The Investor may only issue up to a maximum aggregate of 55,702,918 Shares under the Follow-On Convertible Note at either the Fixed Price or Monthly Conversion Price (as defined and set out in paragraph 5).

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Shareholder	Number of Shares	Percentage (%)
Existing Shareholders	1,266,249,567	91.78
Investor – current shareholding	57,690,989 ¹	4.18
Investor – new Shares issued on conversion of maximum aggregate number of Shares under Follow-On Convertible Note	55,702,918	4.04
TOTAL	1,379,643,474²	100

Notes:

1. This figure comprises the aggregate interest of the Investor and its associated entities, Lind Partners LLC and Jefferies International. The Investor was issued 50,000,000 collateral shares under the Original Convertible Note and 8,750,000 collateral shares under the Follow-On Convertible Note. As at the date of this Cleansing Notice, the Investor (and its associated entities) hold 57,690,989 Shares and have disposed of 78,473,695 Shares however this disposal does not affect the number of the collateral shares to be dealt with in accordance with the terms of the Agreement (refer to paragraph 5 for further information on the collateral shares).
2. Assumes that no additional Shares are issued prior to conversion of the Follow-On Convertible Note and no convertible securities (such as options) are exercised.

Effect of issue of the Replacement Follow-on Convertible Note on Company

The tables below demonstrate the maximum dilution effect on the Company following the issue of, and conversion of, the Replacement Follow-On Convertible Note (subject to shareholder approval).

The Company has prepared both Tables 1 and 2 on the assumptions set out below unless otherwise specified:

- the Investor converts the full outstanding amount under:
 - the Replacement Convertible Note at the fixed price of \$0.016; and
 - the Replacement Follow-On Convertible Note at the fixed price of \$0.00754 (refer to Table 1); or
- the Investor converts the full outstanding amount under both the Replacement Convertible Note and the Replacement Follow-On Convertible Note at the variable conversion price of 90% of the average 5 daily VWAPs chosen by the Investor from the daily VWAPs for the 20 Trading Days immediately prior to the conversion notice date (**Monthly Conversion Price**) (refer to Table 2).
- the Investor elects to collateralise, and pay the Company consideration for, the 58,750,000 collateral shares (comprising 50,000,000 collateral shares under the Replacement Convertible Note and 8,750,000 collateral shares under the Replacement

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Follow-on Convertible Note) in accordance with the process set out at paragraph 5; and

- prior to the conversion of the Replacement Convertible Note and Replacement Follow-On Convertible Note, the Company does not issue any additional Shares to investors and no other equity securities are issued, converted or exercised.

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Table 1

Shareholder	Number of Shares issued at fixed conversion price as per Agreement ¹	Percentage (%)
Existing Shareholders	1,266,249,567	84.16
Investor shareholding post conversion of the outstanding amount under the Replacement Convertible Note and Replacement Follow-On Convertible Note	238,393,907 ³	15.84 ²
TOTAL	1,504,643,474⁴	100

Notes:

1. Assumes the Follow-On Convertible Note is converted at fixed price of \$0.00754 per Share.
2. Under the Agreement, where the Shares issued on conversion of both the Replacement Convertible Note and the Follow-On Convertible Note would result in the Investor acquiring a relevant interest in excess of 19.99%, the Investor may by written notice require the Company to pay the Investor an amount determined by the cash substitution formula set out in paragraph 5.
3. This figure comprises the outstanding amount of under the Replacement Convertible Note (being \$2,000,000) converting at \$0.016 and the outstanding amount under the Follow-On Convertible Note (being \$420,000) converting at \$0.00754.
4. Assumes that no additional Shares are issued to investors prior to conversion of the Replacement Convertible Note or the Follow-On Convertible Note and no other equity securities are issued, converted or exercised.

Table 2 below demonstrates the maximum dilutive effect on Shareholders if the Investor converts the full amount under the Replacement Convertible Note at the Monthly Conversion Prices of \$0.001 and, as a second example, \$0.01. For completeness, the Investor may only convert up to a maximum aggregate of \$125,000 under either the Replacement Convertible Note or the Follow-On Convertible Note per month at the Monthly Conversion Price.

Table 2

Shareholder	Number of Shares issued at Monthly Conversion Price of \$0.001	Percentage (%)	Number of Shares issued at Monthly Conversion Price of \$0.01	Percentage (%)
Existing Shareholders	1,266,249,567	33.82	1,266,249,567	80.86

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Shareholder	Number of Shares issued at Monthly Conversion Price of \$0.001	Percentage (%)	Number of Shares issued at Monthly Conversion Price of \$0.01	Percentage (%)
Investor shareholding post conversion of Replacement Convertible Note and Follow-On Convertible Note	2,477,690,989	66.18	299,690,989	19.14
TOTAL²	3,743,940,556	100	1,565,940,556	100

Notes:

1. This figure assumes that the Investor does not acquire or dispose of any of its shareholding as at the date of this Cleansing Notice.
2. Under the Agreement, where the Shares issued on conversion of either the Replacement Convertible Note or the Follow-On Convertible Note would result in the Investor acquiring a relevant interest in excess of 19.99%, the Investor may by written notice require the Company to pay the Investor an amount determined by the cash substitution formula set out in paragraph 5.
3. Assumes that no additional Shares are issued to investors prior to conversion of the Replacement Convertible Note or the Follow-On Convertible Note and no other equity securities are issued, converted or exercised.

As at the date of this Cleansing Notice, the Company has four substantial shareholders (as set out in the Table 3 below). The table demonstrates the effect on the substantial shareholders' relevant interest on the following bases:

- the Investor converted the full outstanding amount under the Replacement Convertible Note and the Follow-On Convertible Note;
- the Investor does not acquire or dispose of any of its Shares as at the date of this Cleansing Notice and
- no additional Shares are issued to investors prior to the conversion of the Replacement Convertible Note or the Follow-On Convertible Note and no other equity securities are issued, converted or exercised.

Table 3

Substantial Holder	Current Shareholding	Current relevant interest (%)	Relevant interest with conversion price of \$0.001 (%)	Relevant interest with conversion price of \$0.01 (%)
Asean Deep Value Fund	216,521.57	16.35	5.78	13.83

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Substantial Holder	Current Shareholding	Current relevant interest (%)	Relevant interest with conversion price of \$0.001 (%)	Relevant interest with conversion price of \$0.01 (%)
Computershare Clearing Pty Ltd ¹	142,492,768	10.76	3.81	9.10
Pre-emptive Trading Pty Ltd	76,600,000	5.78	2.05	4.89

Notes

1. Computershare Clearing Pty Ltd holds the Chess Depository Interests on behalf of the Company's UK investors.

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4. Statement of financial position

AURA ENERGY LIMITED							
Consolidation Statement of Financial Position							
	30-Sep-19	Share-based	Outgoings	R&D	Loan	Convertible	Adjusted
	Unaudited	Payments		Refund	Repayment	Note	
Assets							
Current assets							
Cash	205,496		-150,000	285,000	-261,250	332,500	411,746
Receivables	14,984						14,984
Other current assets	57,710						57,710
	278,190	0	-150,000	285,000	-261,250	332,500	484,440
Non-current assets							
PP&E	3,002						3,002
E&E	21,412,898		75,000				21,487,898
	21,415,900	0	75,000	0	0	0	21,490,900
Total assets	21,694,090	0	-75,000	285,000	-261,250	332,500	21,975,340
Liabilities							
Current liabilities							
Payables	241,982		-26,982				215,000
Provisions	87,280						87,280
Other financial liabilities	266,667					46,675	313,342
	595,929	0	-26,982	0	0	46,675	615,622
Non-current liabilities							
Convertible notes	1,214,908	-100,000				183,150	1,298,058
R&D Loan	250,000				-250,000		0
Provisions	16,879						16,879
	1,481,787	-100,000			0	183,150	1,314,937
Total liabilities	2,077,716	-100,000	-26,982	0	-250,000	229,825	1,930,559
Net assets	19,616,374	100,000	-48,018	285,000	-11,250	102,675	20,044,781
Equity							
Paid-up capital	47,065,340	100,000					47,165,340
Reserves	1,117,935					120,175	1,238,110
Accumulated losses	-28,566,901		-48,018	285,000	-11,250	-17,500	-28,358,669
	19,616,374	100,000	-48,018	285,000	-11,250	102,675	20,044,781

Notes:

Since 30 September 2019, the Company:

1. issued 14,285,715 fully paid ordinary shares to Lind Global Macro Fund Lap on 27 October 2019 for \$100,000.
2. had expenditure of approximately \$150,000 since 1 October 2019 to 13 November 2019.
3. received from the Commonwealth of Australia a research and development rebate of \$285,000.
4. repaid Lind Global Macro Fund LP monies borrowed for research and development with interest.
5. accounted for the \$350,000 in Follow-on Convertible Notes from Lind Global Macro fund LP in accordance with AASB 9.

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5. Rights and liabilities attaching to the Follow-On Convertible Note

Term	26 months commencing from 30 April 2019 and expiring 30 June 2021.
Face Value	\$420,000 as at the date of this Cleansing Notice.
Funded amount	\$350,000 will be advanced under the Follow-on Convertible Note.
Conditions precedent	The Investor will obtain shareholder approval for the Follow-on Convertible Note
Interest	Nil
Issue Date	18 November 2019
Security	Yes
Conversion	<p>The Investor may convert, at any time and on more than one occasion, a maximum aggregate of 55,702,918 Shares at the Fixed Price or the Monthly Conversion Price (as those terms are defined below).</p> <p>In any calendar month the Investor may convert up to \$125,000 worth of Shares at the Monthly Conversion Price (as defined below).</p>
Conversion Price	130% of the average of the 20 daily VWAPs over the 20 trading days immediately prior to the Variation Date (Fixed Price) or 90% of the average 5 daily VWAPs chosen by the Investor from the daily VWAPs for the 20 Trading Days immediately prior to the conversion notice date (Monthly Conversion Price)
Cash substitution formula	<p>If an issue of Shares to the Investor in accordance with the terms of the Agreement would result in the Investor acquiring a relevant interest in the Shares which would cause the Investor's (and its associates') voting power in the Company (and its associates) to exceed 19.99%, then without limiting any of the Investor's other rights under the Agreement:</p> <ul style="list-style-type: none"> • the Investor may by written notice to the Company require the Company to pay a cash amount to the Investor, within 5 business days, equal to Z multiplied by \$C, where: <ul style="list-style-type: none"> ○ Z = the number of new Shares which, if issued to the Investor, would cause the Investor's relevant interest in the Company to exceed 19.99%; and ○ \$C = the VWAP per Share on the date the Investor's Shares were to be issued.

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Repayment upon maturity	The amount outstanding in cash (being the face value less the value of the amount of Shares issued on conversion)
Buy-back rights	The Company is permitted, in its sole discretion, to buy-back the outstanding balance of the Follow-On Convertible Note, subject to the Investor having the option to convert up to 33% of the face value of the Follow-On Convertible Note on issue (as determined by the Investor) at the lesser of Fixed Price or the Monthly Conversion Price.
Issue of additional securities	The Company issued 8,750,000 Shares and 20,000,000 Options to the Investor at the time of closing for the Follow-On Convertible Note. The Options issued under the Follow-On Convertible Note are each exercisable at \$0.00754 and expire 3 years from the date of issue.
Transferability	The Follow-On Convertible Note is assignable.
Events of Default	<p>Any of the following will constitute an event of default under the Agreement, which, if it occurred, would entitle the Investor to terminate the Agreement and demand payment of all outstanding amounts:</p> <ul style="list-style-type: none"> • any of the representations, warranties, or covenants made by the Company or any of its agents, officers, directors, employees or representatives in any transaction document, materials or public filing are inaccurate, false or misleading in any material respect, as of the date as of which it is made or deemed to be made, or any certificate or financial or other written statements furnished by or on behalf of the Company to the Investor, any of its representatives, or the Company's shareholders, is inaccurate, false or misleading, in any material respect, as of the date as of which it is made or deemed to be made or repeated (in each case where qualified by an express reference to the representation or the warranty being given on a particular other date or dates, on that date or dates); • the Company or any subsidiary of the Company suffers or incurs an insolvency event; • the Company or any of its subsidiaries ceases, suspends, or threatens to cease or suspend, the conduct of all or a substantial part of its business, or disposes of, or threatens to dispose of, a substantial part of its assets; • the Company or any of its subsidiaries takes action to reduce its capital or pass a resolution referred to in section 254N(1) of the Corporations Act;

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	<ul style="list-style-type: none"> • the Company does not comply with its obligation to lodge cleansing statements at the time Shares are issued on conversion of the Convertible Note; • any Investor's Shares are not quoted or not able to be freely traded on ASX (as appropriate) within three (3) Business Days following the date of their issue; • there is a stop order, suspension of trading, cessation of quotation, or removal of the Company or the Shares from the ASX Official List (or a fact or circumstance which may cause such an event), except for a suspension of trading; <ul style="list-style-type: none"> ○ not exceeding five (5) Trading Days in a rolling twelve month period, where such period commences from the Execution Date; or ○ as agreed to by the Investor; • any of the conditions precedent to closing the Agreement or for the issuance of Shares on conversion of the Convertible Note have not have been fulfilled in a timely manner or the time prescribed; • the Company challenges, disputes or denies the right of the Investor to receive any Investor's Shares or Options, or otherwise dishonours or rejects any action taken, or document delivered, in furtherance of the Investor's rights to receive any Investor's Shares or Options; • a transaction document or a contemplated transaction has become, or is claimed (other than in a vexatious or frivolous proceeding) by any person that is not the Investor or its Affiliate to be, wholly or partly void, voidable or unenforceable; • any person has commenced any action, claim, proceeding, suit, investigation, or action against any other person or otherwise asserted any claim before any Governmental Authority, which seeks to restrain, challenge, deny, enjoin, limit, modify, delay, or dispute, the right of the Investor or the Company to enter into any transaction documents or undertake any of the contemplated transactions (other than a vexatious or frivolous proceeding or claim); • any event, condition or development occurs or arises which in the opinion of the Investor (acting reasonably) has or would be likely to have a material adverse effect on the assets, liabilities, results of operations, condition (financial or otherwise), business or prospects of the Company and its subsidiaries taken as a whole or the ability of the Company to perform its obligations;
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	<ul style="list-style-type: none"> • any consent, permit, approval, registration or waiver necessary for the consummation of those contemplated transactions that remain to be consummated at the applicable time, has not been issued or received, or does not remain in full force and effect; • the transactions to be undertaken at closing of the Agreement would result in the Company breaching Listing Rule 7.1; • the Investor has not received all those items required to be delivered to it in connection with the closing of the Agreement or upon the exercise of Options in accordance with the Agreement; • the Company fails to perform, comply with, or observe, any other term, covenant, undertaking, obligation or agreement under any transaction document; • the Company fails to comply with the conditions precedent to issuing the Shares on conversion of the Convertible Note or maintain sufficient placement capacity and/or obtain the required shareholders' approvals to maintain the placement capacity; • a default judgment of an amount of AU\$100,000 or greater is entered against the Company or any of its subsidiaries; • the Company and/or any of its subsidiaries defaults in relation to any payment obligation under any financial accommodation, including any loan, advance, debenture or other form of financing entered into with a third party (taking into account any applicable grace period agreed by the relevant third party); • any present or future liabilities, including contingent liabilities, of the Company or any of its subsidiaries for an amount or amounts totalling more than AU\$100,000 have not been satisfied on time (taking into account any applicable grace period agreed by the relevant third party to whom such liabilities are owed), or have become prematurely payable as a result of its default or breach (howsoever described); • the Company does not, within 90 days of closing of the Agreement, obtain shareholder approval to the issue of the Replacement Follow-On Convertible Note to the Investor and issue the Replacement Follow-On Convertible Note to the Investor; or • any event of default (however described) occurs under the security documents;
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	<ul style="list-style-type: none"> if any of the funded amount is used for an illegal or improper purpose or to finance an illegal improper or terrorism activity; or if any of the property the subject of the Security is taken out of the effective management and control of the Company (except upon a permitted dealing with that property).
Interest payable on Event of Default	<p>Upon an Event of Default occurring, interest payable on the Convertible Note will be at a rate per annum which is 6% more than the “Cash Rate Target” last published by the Reserve Bank of Australia at the time of the Event of Default.</p> <p>Interest will accrue from the earliest date of the Event of Default on the amount outstanding and will compound monthly for as long as the Event of Default is not remedied and such interest will be payable on a monthly basis in arrears.</p>
Termination Event	<p>In addition to the events described above, there are a number of further termination events under the Agreement, including if a change of control in relation to the Company occurs where the Investor has not provided its prior written consent.</p> <p>A change of control in this context means, in respect of the Company, a change, from the position applying on the date of execution of the Agreement, in:</p> <p>(a) control, directly or indirectly, of the appointment of directors of the Company having 50% or more of the votes at board meetings;</p> <p>(b) more than 50% of the Company’s directors;</p> <p>(c) control, directly or indirectly, of more than 50% of the Voting Power in the Company; or</p> <p>(d) control, directly or indirectly, of the determination of the conduct of the Company’s business affairs or decisions regarding its Shares.</p> <p>Upon termination, the Investor can require all outstanding amounts under the Agreement to be paid.</p>

As disclosed in the Previous Cleansing Notice, the Company issued to the Investor under the Replacement Convertible Note:

- 50,000,000 Shares (**Collateral Shares**) on the terms described below; and
- 62,500,000 unlisted Options with each Option exercisable at \$0.016 on or before 30 April 2022 and otherwise on the terms stated in the Previous Cleansing Notice.

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Under the varied Agreement, the Company issued to the Investor under the Follow-on Convertible Note:

- 8,750,000 Shares (**Follow –On Collateral Shares**) on the terms described below; and
- 20,000,000 unlisted Options with each Option exercisable at \$0.00754, expiring 3 years from the date of issue and otherwise on the terms set out in paragraph 7.

References to Collateral Shares hereafter also refers to the Follow-On Collateral Shares.

The Investor may sell, assign, mortgage or otherwise deal with the Collateral Shares at its discretion. Notwithstanding how the Investor chooses to deal with the Collateral Shares during the term of the Agreement, the Investor will be deemed to hold the Collateral Shares, less the amount collateralised (in accordance with the process described below), at the maturity date of the Agreement.

During the term of the Agreement, the Investor may elect to reduce its Collateral Shareholding by advancing in cleared funds to the Company by multiplying the amount of Collateral Shares it seeks to reduce by the price per Share equal to 90% of the average of 5 VWAPs per Share in the 20 consecutive trading days immediately prior to the date of collateralisation, as selected at the Investor's discretion (**Collateralisation Price**).

If the Investor has not collateralised all of the Collateral Shares by the maturity date and the Company has satisfied its repayment obligations, the Investor must:

- transfer that number of Collateral Shares to the Company for no consideration to or at the direction of the Company; or
- subject to the Shares trading on ASX on the relevant day and trading for at least 5 trading days prior to payment, pay the Company in immediately available funds an amount equal to the outstanding Collateral Shareholding number multiplied by the Collateralisation Price.

6. Rights and liabilities attaching to the Shares that will be issued on conversion of the Follow-On Convertible Note

Each Share issued to the Investor upon conversion of the Follow-On Convertible Note will be issued as a fully paid ordinary share and will rank equally with existing Shares in all respects.

7. Rights and liabilities attaching to the Options

7.1 Nature of Options

- 7.1.1 Each Option will grant the holder of that Option the right but not the obligation to be issued by the Company one Share at \$0.00754 (**Options Exercise Price**) (subject to any adjustment under the Agreement).
- 7.1.2 Each Option will be exercisable by the Option holder complying with its obligations under this paragraph 7 at any time after the time of the grant of the Option and prior to the date that is 36 months from the issue date, after which time it will lapse.

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7.2 Exercise of Options

7.2.1 Without limiting the generality of, and subject to, the other provisions of the Agreement, an Option holder may exercise any of its Options at any time prior to their expiration, by delivery of:

- (a) a copy, whether facsimile or otherwise, of a duly executed Option exercise form substantially in the form attached to the Agreement as Annexure A (**Exercise Form**), to the Company during normal business hours on any Business Day at the Company's principal executive offices (or such other office or agency of the Company as it may designate by notice to the Option holder);
- (b) a copy, whether facsimile or otherwise, of any exercise form required by the share registrar; and
- (c) payment of an amount equal to the Options Exercise Price multiplied by the number of Shares in respect of which the Options are being exercised at the time by wire transfer to the account specified by the Company from time to time or by bank draft delivered to the Company during normal business hours on any Business Day at the Company's principal executive offices (or such other office or agency of the Company as it may designate by notice to the Option holder).

7.2.2 As soon as reasonably practicable, but in any event no later than two (2) Business Days after receipt of a duly completed Exercise Form and the payment referred to in paragraph 7.2.1(c), the Company must cause its securities registrar to:

- (a) issue and Electronically Deliver the Shares in respect of which the Options are so exercised by the Option holder; and
- (b) provide to the Option holder holding statements evidencing that such Shares have been recorded on the Share register.

7.3 Bonus Issues

If prior to an exercise of an Option, but after the issue of the Option, the Company makes an issue of Shares by way of capitalisation of profits or out of its reserves (other than pursuant to a dividend reinvestment plan), pursuant to an offer of such Shares to at least all the holders of Shares resident in Australia, then on exercise of the Option, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the holder of the Option would have received if the Option had been exercised before the date on which entitlements to the issue were calculated.

7.4 Rights Issues

If prior to an exercise of an Option, but after the issue of the Option, any offer or invitation is made by the Company to at least all the holders of Shares resident in Australia for the subscription for cash with respect to Shares, options or other securities of the Company on a pro rata basis relative to those holders' Shareholding at the time of the offer, the Options Exercise Price will be reduced as specified in the Listing Rules in relation to pro-rata issues (except bonus issues).

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7.5 Reconstruction of Capital

In the event of a consolidation, subdivision or similar reconstruction of the issued capital of the Company, and subject to such changes as are necessary to comply with the Listing Rules applying to a reconstruction of capital at the time of the reconstruction:

- 7.5.1 the number of the Shares to which each Option holder is entitled on exercise of the outstanding Options will be reduced or increased in the same proportion as, and the nature of the Shares will be modified to the same extent that, the issued capital of the Company is consolidated, subdivided or reconstructed (subject to the same provisions with respect to rounding of entitlements as sanctioned by the meeting of shareholders approving the consolidation, subdivision or reconstruction); and
- 7.5.2 an appropriate adjustment will be made to the Options Exercise Price of the outstanding Options, with the intent that the total amount payable on exercise of the Options will not alter.

7.6 Cumulative Adjustments

Full effect will be given to the provisions of paragraphs 7.3 to 7.5, as and when occasions of their application arise and in such manner that the effects of the successive applications of them are cumulative, the intention being that the adjustments they progressively effect will be such as to reflect, in relation to the Shares issuable on exercise of the Options outstanding, the adjustments which on the occasions in question are progressively effected in relation to Shares already on issue.

7.7 Notice of Adjustments

Whenever the number of Shares over which an Option is exercisable, or the Options Exercise Price, is adjusted pursuant to this Agreement, the Company must give notice of the adjustment to all the Option holders as soon as reasonably practicable and in any event, within three (3) Business Days.

7.8 Rights Prior to Exercise

Prior to its exercise, an Option does not confer a right on the Option holder to participate in a new issue of securities by the Company.

7.9 Redemption

The Options will not be redeemable by the Company.

7.10 Assignability and Transferability

The Options will be freely assignable and transferable, subject to the provisions of Chapter 6D of the Corporations Act and the applicable Law.

8. Compliance with continuous disclosure

The Company is a 'disclosing entity' under the Corporations Act. In accordance with the Corporations Act and the Listing Rules, the Company is subject to continuous disclosure

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obligations which require it to disclose information to the ASX as it arises for the purposes of making that information available to the market.

Copies of documents lodged by, or in relation to, the Company with ASIC may be obtained from, or inspected at, an ASIC office. The Company will provide a copy of the following documents to any person on request and free of charge:

- the annual financial report most recently lodged with ASIC by the Company;
- any half-year report lodged with ASIC after lodgement of that annual financial report and before lodgement of this Cleansing Notice; and
- any continuous disclosure notices given after the lodgement of that annual financial report and before lodgement of this Cleansing Notice.

9. No excluded information

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

- has been excluded from a continuous disclosure notice in accordance with the Listing Rules of the prescribed financial market whose operator was given notice; and
- is information that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of:
 - the assets and liabilities, financial position and performance, profits and losses and prospects of the body and
 - the rights and liabilities attaching to the Follow-On Convertible Note and resulting Shares to be issued on conversion of the Follow-On Convertible Note.

Yours faithfully

JM Madden
Company Secretary

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