14 August 2023

# Cleansing Notice – Issue of Convertible Notes

This cleansing notice (**Cleansing Notice**) is given by EV Resources Limited (ACN 009 144 503) (**Company**) 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 confirms that:

(a) the convertible notes described below will be issued without disclosure to an investor 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 notes 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

### 1.1 Convertible Securities Agreement

As announced on 8 August 2023, the Company has entered into a convertible securities agreement (**Convertible Securities Agreement**) and secured commitments to raise US$3,400,000 through the issuance of senior secured convertible notes (**Convertible Notes**) to Obsidian Global GP LLC (**Obsidian**) comprising two tranches of US$850,000 each and a third tranche of US$1,700,000.

In accordance with the Convertible Securities Agreement, the first tranche of US$850,000 will be provided shortly to the Company in exchange for the issue of 850,000 convertible notes (each with a face value of US$1.08) (**Tranche 1 Notes**).

Subject to satisfaction of the condition precedents the second tranche of US$850,000 will be provided to the Company in exchange for the issue of 850,000 convertible notes (each with a face value of US$1.08) (**Tranche 2 Notes**) and the third tranche of US$1,700,000 will be provided to the Company in exchange for the issue of 1,700,000 convertible notes (each with a face value of US$1.08) (**Tranche 3 Notes**).

For further information in relation to each convertible securities agreement, please refer

to the Company announcement dated 8 August 2023.

A broad summary of the rights, privileges and restrictions attached to the Tranche 1 Notes is set out in Schedule 1 of this Cleansing Notice. The summary is not exhaustive and does not constitute a definite statement of the rights and liabilities of the Tranche 1 Note holder (**Noteholder**).

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## 2. CONTENTS OF THIS CLEANSING NOTICE

This Cleansing Notice sets out the following:

(a) in relation to the Tranche 1 Notes:

  (i) the effect of the issue on the Company;

  (ii) a summary of the rights and liabilities attaching to the Tranche 1 Notes; and

  (iii) a summary of the rights and liabilities attaching to the Shares that will be issued on the conversion of the Tranche 1 Notes; and

(b) any information that:

  (i) has been excluded from continuous disclosure notices in accordance with the ASX Listing Rules; and

  (ii) is information that investors and their professional advisors 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

  (ii) other information relating to the Company's status as a disclosing entity.

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## 3. THE EFFECT OF THE ISSUE ON THE COMPANY

### 3.1 Effect of the issue on the Company

The principal effect of the issue of the Tranche 1 Notes on the Company will be:

(a) increase the Company's cash reserves by US$850,000 (before costs associated with the Convertible Notes);

(b) an increase of the number of unquoted convertible notes on issue from nil to 850,000;

(c) the Company having a liability for the aggregate face value of the Tranche 1 Notes (being US$918,000); and

(d) if the Tranche 1 Notes are converted there may be a maximum increase in the number of Shares on issue from 935,984,701 to 1,067,984,701.

**3.2 Pro-forma Consolidated Statement of Financial Position as at 30 June 2023 taking into account the issue of the Tranche 1 Notes.**

To illustrate the effect of the issue of the Tranche 1 Notes on the Company, a pro- forma Consolidated Statement of Financial Position (**Pro-forma Accounts**) which is set out below has been prepared based on the financial position of the Company's consolidated financial statements for the year ended 30 June 2023 (unaudited).

The Pro-forma Accounts shows the effect of the issue of the Tranche 1 Notes as if they had been issued on 30 June 2023.

The accounting policies adopted in the preparation of the Pro-forma Accounts are the same as those used in the preparation of the 30 June 2023 unaudited accounts. The historical and Pro-forma Accounts are presented in an abbreviated form, insofar as they don't include all of the disclosures required by Australian Accounting Standards applicable to the unaudited annual financial statements. The Pro-forma Accounts have not been subject to independent audit or review.

The Pro-forma Accounts have been prepared to provide investors with information on the assets and liabilities of the Company and pro-forma assets and liabilities on the basis that the issue of the Tranche 1 Notes were issued on 30 June 2023. The Company advises that the Pro-forma Accounts is not the current financial position of the Company as at the date of this Notice, and that the information is provided for illustrative purposes only.

The Pro-forma Accounts show the impact that the issue of the Tranche 1 Notes and associated securities would have had on the Company's financial position as at 30 June 2023, if these securities were issued on that date, taking into account funds of US$850,000 received (before costs) on the issue of Tranche 1 Notes to Obsidian and the conversion of the Tranche 1 Notes to shares.

| Consolidated Statement of Financial Position as at | Notes | 31-Dec-22 Audit Reviewed $'000 | 30-Jun-23 Unaudited $'000 | Effect of Issue of Convertible Notes * $'000 | 30-Jun-23 Unaudited Pro-forma $'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Current Assets** | | | | | |
| Cash and cash equivalents | | 2,008 | 514 | 1,034 | 1,548 |
| Trade and other receivables | | 162 | 216 | - | 216 |
| Other assets | | 41 | 32 | - | 32 |
| **Total Current Assets** | | 2,211 | 762 | 1,034 | 1,796 |
| **Non Current Assets** | | | | | |
| Plant and equipment | | 8 | 12 | - | 12 |
| Exploration assets | | 4,465 | 4,793 | - | 4,793 |
| Net investment in associate | 1 | 1,339 | 1,017 | - | 1,017 |
| Other assets | | 525 | 216 | - | 216 |
| **Total Non Current Assets** | | 6,337 | 6,038 | - | 6,038 |
| **Total Assets** | | 8,548 | 6,800 | 1,034 | 7,834 |
| **Liabilities** | | | | | |
| **Current Liabilities** | | | | | |
| Trade and other payables | | 181 | 387 | - | 387 |
| Employee entitlements | | 21 | 33 | - | 33 |
| **Total Current Liabilities** | | 202 | 420 | - | 420 |
| **Non Current Liabilities** | | | | | |
| Financial liabilities | | 7 | 8 | - | 8 |
| **Total Non-Current Liabilities** | | 7 | 8 | - | 8 |
| **Total Liabilities** | | 209 | 428 | - | 428 |
| **Net Assets** | | 8,339 | 6,372 | 1,034 | 7,406 |
| Issued capital | | 51,024 | 51,211 | 1,293 | 52,504 |
| Reserves | | 2,630 | 1,117 | - | 1,117 |
| Accumulated losses | 1 | (45,225) | (45,802) | (259) | (46,061) |
| Outside equity interest | | (90) | (154) | - | (154) |
| **Total Equity** | | **8,339** | **6,372** | **1,034** | **7,406** |

**Assumed Exchange rate of AUD1.00 = USD0.6573 (RBA exchange rate of 4 August 2023)*

Notes:

1. The Company holds 19.98% of Balkan Mining Minerals Ltd (ASX:BMM) and continues to have significant influence. Consequently, the carrying amount of the net investment in associate is increased / decreased to recognize the Company's share of the profits / losses of BMM. For the 6 months to 31 December 2022, the Company's share of the BMM loss was $322,207. It has been estimated in the financial position as at 30 June 2023 that EV Resources Limited's share of the loss of BMM for the 6 months to 30 June 2023 will be the same as that recorded for the 6 months to 31 December 2022 (that is, for the year ended 30 June 2023 EV Resources Limited has recorded its share of the BMM's loss as $644,414, thereby reducing the value of its net investment in associate by this amount)..

### 3.3 Potential effect on capital structure

(a) As at the date of this Cleansing Notice, the total number of issued Shares is 935,984,071.

(b) The capital structure of the Company will be affected by the conversion of Tranche 1 Notes by the Noteholder.

(c) Subject to limits on the conversion under the Convertible Securities Agreement, the Tranche 1 Notes can be:

(i) converted into Shares at the fixed price of AU$0.02 (**Fixed Price**), unless one the following applies:

- If after 60 days from the issue of the relevant tranche of Convertible Notes, the 5-trading day VWAP is below the Fixed Price, Obsidian may convert at a conversion price equal to a 5% discount from the lowest 3 daily VWAP's in the 20 trading days prior to conversion (**Variable Price**); or
- If after the Tranche 1 Notes purchase the Company's share price trades above AU$0.05 (and thereafter for every AU$0.05 multiple in price) for a minimum of 10 trading days, then the Fixed Price shall be increased to that price.

(ii) At anytime, should the Company issue shares at a price less than the Fixed Price or any security convertible into shares at a price less than the Fixed Price then the Fixed Price will be reduced to that lesser price.

(iii) The agreement limits the number of shares that can be issued on conversion of Tranche 1 to 132m shares which is the Company's current placement capacity under Listing Rule 7.1.

(d) The effect on the capital structure of the Company upon (1) issue and (2) conversion of the Tranche 1 Notes is as follows:

**Upon issue:**

| Convertible Notes | Number |
|---|---|
| Convertible notes on issue at the date of this Cleansing Notice | - |
| Tranche 1 Notes will be issued under the Convertible Securities Agreement | 850,000 |
| **Total convertible notes on issue following issue of the Tranche 1 Notes under the Convertible Securities Agreement** | **850,000** |

**Upon conversion:**

| Shares | Number |
|---|---|
| Shares issued on the date of this Cleansing Notice | 935,984,701 |
| Shares issued upon conversion of the Tranche 1 Notes[1] | 132,000,000 |
| **Total Shares on issue following conversion of all Tranche 1 Notes** | **1,067,984,701** |

**Note:**

1. This assumes that the Maximum Share Number is issued on conversion of the Tranche 1 Notes. The actual number of Shares to be issued on conversion will be calculated in accordance with the conversion formula for the Tranche 1 Notes, as detailed in Schedule 1.

**Other securities currently on issue:**

The Company currently has 108,333,332 listed options on issue. There will be no resulting change to the number of options on issue upon the issue and conversion of the Tranche 1 Notes

## 4. RIGHTS AND LIABILITIES ATTACHING TO SHARES ISSUED ON CONVERSION OF THE TRANCHE 1 NOTES

The Shares issued to the Noteholder on the conversion of the Tranche 1 Notes under the Convertible Securities Agreement will rank equally in all respects with all of the Company's existing Shares.

Under the Convertible Securities Agreement, the Company is required to apply to ASX for quotation of the Shares issued on conversion of any Tranche 1 Notes.

Full details of the rights and liabilities attaching to Shares are set out in the Company's 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.

**(a) General meetings**

Each shareholder of the Company (**Shareholder**) is entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings as is provided for by the Corporations Act and the constitution of the Company (**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 or, if a determination has been made by the Board, by direct vote;

(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 (or where a direct vote has been lodged) 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 each Share held, 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).

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

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, be applied by the Company to the payment of the subscription price of Shares.

**(c) Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution, 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 he 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, 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.

**(d) Shareholder liability**

As the Shares issued will be fully paid shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

**(e) Transfer of shares**

Generally, shares in the Company 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 and the ASX Listing Rules.

**(f) Future increase in capital**

The issue of any new Shares is under the control of the Directors of the Company. Subject to restrictions on the issue or grant of securities contained in the ASX Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors may issue Shares as they shall, in their absolute discretion, determine.

**(g) Variation of rights**

Under section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

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 or abrogated 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.

**(h) Alteration of constitution**

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

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## 5. 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 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 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 2022;

(b) any half-year financial report lodged by the Company with ASIC after the

lodgement of the annual financial report referred to in paragraph (a) and before the lodgement of this Cleansing Notice with ASX; and

(c) any continuous disclosure notices given by the Company to ASX after the lodgement of the annual financial report referred to in paragraph (a) and before the lodgement of this Cleansing Notice with ASX.

A list of the continuous disclosure notices given by the Company to ASX after lodgment of the annual financial report referred to in paragraph (a) above and before the lodgment of this Cleansing Notice with ASX is set out in the table below.

| Date | Description of Announcement |
|---|---|
| 14/08/23 | Director On Market Purchase |
| 11/08/23 | Update – Proposed Issue of Securities - EVR |
| 08/08/23 | Proposed Issue of Securities - EVR |
| 08/08/23 | Proposed Issue of Securities - EVR |
| 08/08/23 | EVR Strengthens Balance Sheet to Accelerate Exploration |
| 04/08/23 | Definitive Purchase Agreement Signed for Parag Project |
| 31/07/23 | Quarterly Activities and Cash Flow Report |
| 13/07/23 | EVR Signs Community Agreement at Don Enrique |
| 06/07/23 | Initial Director's Interest Notice |
| 05/07/23 | Appointment of Managing Director |
| 14/06/23 | Amendment to Presentation |
| 13/06/23 | Focus on Copper in the Americas |
| 13/06/23 | Presentation - Advancing Copper Exploration in the Americas |
| 02/06/23 | Change of Director's Interest Notice |
| 02/06/23 | Notification of cessation of securities - EVR |
| 30/05/23 | IP Survey at Don Enrique Confirms Immediate Drill Targets |
| 25/05/23 | Director On Market Purchase |
| 17/05/23 | Director On Market Purchase |
| 10/05/23 | EVR Continues Consolidation of its Arizona Copper Project |
| 08/05/23 | Presentation - RIU Resources Round-Up Conference 2023 |
| 05/05/23 | Significant Rare Earth Results at Khartoum Project |
| 04/05/23 | EVR Acquires High-Grade Parag Project in Peru |
| 02/05/23 | Change in substantial holding from EVR |
| 01/05/23 | Final Director's Interest Notice |
| 01/05/23 | Director Resignation |
| 27/04/23 | Quarterly Activities and Cash Flow Report |
| 28/03/23 | Surface Channel Sampling Confirms 550m Copper Strike Extent |
| 16/06/23 | Half Year Accounts |
| 03/03/23 | New Standard Project Land Position Consolidated |
| 28/02/23 | Change of Director's Interest Notice x 2 |
| 28/02/23 | Notification of cessation of securities - EVR |
| 27/02/23 | Tungsten Assays up to 15.9% W at the Christina Project |
| 14/02/23 | New Targets Defined at Shaw River |
| 13/02/23 | Change of Director's Interest Notice |

| Date | Description of Announcement |
|---|---|
| 08/02/23 | Section 708A Cleansing Notice |
| 08/02/23 | Application for quotation of securities - EVR |
| 07/02/23 | Proposed issue of securities - EVR |
| 07/02/23 | EVR Secures $25M Investment Commitment |
| 24/01/23 | Quarterly Activities and Cash Flow Report |
| 16/01/23 | Director On Market Purchase |
| 23/12/22 | Director On Market Purchase |
| 25/11/22 | Section 708A Cleansing Notice |
| 25/11/22 | Application for quotation of securities - EVR |
| 24/11/22 | Constitution |
| 24/11/22 | Results of Annual General Meeting |
| 21/11/22 | Confirmed Copper-Silver Zones at Don Enrique |
| 17/11/22 | Further High-Grade Results at Christina Project |
| 14/11/22 | Director On Market Purchase |
| 08/11/22 | Director On Market Purchase |
| 27/10/22 | Quarterly Activities and Cash Flow Report |
| 26/10/22 | Austrian Lithium Projects |
| 25/10/22 | Further Encouraging Li Results Received for Shaw River |
| 24/10/22 | Notice of Annual General Meeting/Proxy Form |
| 24/10/22 | Further High-Grade Tin and Tungsten Results at Khartoum |
| 10/10/22 | 2022 Annual General Meeting |
| 30/09/22 | Annual Report |
| 30/09/22 | Appendix 4G and Corporate Governance Statement |

## 6. 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 advisors 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 Tranche 1 Notes and the Shares.

**Authority and Contact Details**

This announcement has been authorised for release by the Board of EV Resources Limited.

For further information, please contact:

**Investor Enquiries**
EV Resources Limited
E: info@evresources.com.au
P: +61 (0) 8 6489 0600

**SCHEDULE 1**

| Terms and conditions of Tranche 1 Notes | |
|---|---|
| **Number of Tranche 1 Notes** | 850,000 |
| **Purchase Price** | US$1.00 per Tranche 1 Note for an aggregate purchase price amount of US$850,000 |
| **Face Value** | Each Tranche 1 Note will have a face value of US$1.08 |
| **Maturity Date** | 31 July 2025 |
| **Interest** | Interest free other than if an event of default occurs which will result in interest accruing at 15% per annum. |
| **Conversion Price and adjustments:** | Subject to the conversion restrictions below, Obsidian can convert Convertible Notes on issue to shares at the fixed price of AU$0.02 (**Fixed Price**), unless one the following applies;<br>• If after 60 days from the issue of the relevant tranche of Convertible Notes, the 5-trading day VWAP is below the Fixed Price, Obsidian may convert at a conversion price equal to a 5% discount from the lowest 3 daily VWAP's in the 20 trading days prior to conversion (**Variable Price**).<br>• If after the Tranche 1 purchase the Company's share price trades above AU$0.05 (and thereafter for every AU$0.05 multiple in price) for a minimum of 10 trading days, then the Fixed Price shall be increased to that price.<br>At anytime, should the Company issue shares at a price less than the Fixed Price or any security convertible into shares at a price less than the Fixed Price then the Fixed Price will be reduced to that lesser price.<br>The agreement limits the number of shares that can be issued on conversion of Tranche 1 to 132m shares which is the Company's current placement capacity under Listing Rule 7.1. |
| **Cash Redemption:** | The Company may at any time redeem the Convertible Notes outstanding, subject to giving notice to Obsidian however, subsequent to giving notice, Obsidian may give conversion notices in respect of the Convertible Notes to be redeemed.<br>If repayment within 120 days from execution of the agreement, repayment shall be made at Face Value. If after 120 days, repayment shall be at a 5% premium to the Face Value.<br>Where the Company raises funds, Obsidian may require between |

| | |
|---|---|
| | 20%-30% of the proceeds raised to redeem outstanding Convertible Notes at the Face Value.<br><br>At maturity date, the Company must redeem all outstanding Convertible Notes by paying Obsidian the Face Value of those Convertible Notes in cash in US$ or in shares at a deemed issue price of the lowest daily VWAP during the 10 trading days immediately prior to the Maturity Date. |
| **Conversion restriction:** | If conversion occurs between 60 days and 120 days after the issue of the relevant tranche of Convertible Notes a maximum of AU$100,000 can be converted at the Variable Price in the relevant 30 day period.<br><br>If conversion occurs between 120 days and 180 days after the issue of the relevant tranche of Convertible Notes a maximum of AU$250,000 can be converted at the Variable Price in the relevant 30 day period.<br><br>Where an issue of shares would result in the voting power in the Company of Obsidian or any other person exceeding 19.99% the Company must not issue the relevant Shares to Obsidian but must instead repay to Obsidian the relevant amount outstanding in cash. |
| **Trading restrictions:** | In respect of shares issued to Obsidian under the agreement whether on conversion or otherwise, Obsidian agrees not to trade more than the greater of (a) 20% of the daily trading volume on that trading day on ASX and Chi-X; and (b) AU$15,000 on any trading day. |
| **Events of Default:** | Events of default applicable under the agreement are standard for an agreement of this kind.<br><br>Where any unremedied event of default occurs, the Face Value of all outstanding Convertible Notes will automatically increase by 10% and a further 2% for subsequent unremedied events of default.<br><br>On an event of default Obsidian may terminate the agreement and/or convert the remaining Convertible Notes at a conversion price which is the lesser of (a) 80% of the lowest daily VWAP during the 10 trading days prior; and (b) A$0.02. |

| | |
|---|---|
| **Security:** | The Convertible Notes shall be senior secured through Obsidian taking a first ranking general security over all assets of the Company. |