



ASX ANNOUNCEMENT – COMPANY UPDATE

Secures \$2.3 million in Funding \$1m in additional funding potentially available if required

For Immediate Release:

23 December 2020

Sydney, Australia – Simavita Limited (ASX: SVA) (“**Simavita**” or the “**Company**”) today announced that the Company had secured funding commitments of \$2.3 million from professional and sophisticated investors (**Debt Notes**). In addition to the current financing, a number of interested parties have also verbally indicated a willingness to consider provision of up to an additional \$1m on terms to be agreed, should the Company require these funds in due course.

Financing Key Points:

- Funding is to be provided by way of Debt Notes secured over the assets of the Company. No CDI holder approval is required for the issue of the Debt Notes.
- The Debt Notes, subject to CHESS Depository Interests (**CDI**) holder approval at a Special Meeting (SM) to be convened, are proposed to be convertible into CDIs in the Company. Key terms of the debt notes and the conversion terms subject to CDI holder approval at the SM are set out in Schedule A.
- New funding under the Debt Notes is in line with a precondition to the Company’s planned Capital Reduction as approved at a meeting of CDI Holders on 2 December 2020.
- Funds raised under the Debt Notes will also be used for working capital and to pay down accrued interest.
- The funding is supported unanimously by the Directors of the Company.
- Australian Securities Exchange (**ASX**) has provided the necessary waiver under Listing Rule 10.1 to complete the funding. Details of the waiver are provided in Schedules B and C. The ASX also reviewed the financing terms and provided no objection.
- It is intended that upon approval of the Debt Notes at the SM, the Notes will be converted at a conversion price of 1.3 cents per CDI which represents a 21% discount to the Company’s 30 day VWAP (volume weighted average price). Importantly, it should be noted that conversion will be subject to a delisting resolution being approved by 28 February 2021. If the delisting is not approved, the CDIs will convert at 0.3 cents per CDI or will become repayable. If they are unable to be repaid the noteholders will have recourse to the assets of the Company.

Operational Update:

- As previously advised, the Company has for some time been in discussion with a number of large, global industry companies with significant interest in potential commercial products

embodying smart, wearable and disposable technologies for the health care market. These discussions have been complex and lengthy, are continuing but it is anticipated Simavita will require significantly more funding to progress its business plans.

- The first phase of the corporate reorganisation is under way with a Capital Reduction. As approved by shareholders on 2 December, 2020 the Company has offered to purchase up to A\$20,000 worth of CHESS Depository Interests (**CDIs**) from each eligible securityholder as at the record date, being the 8 December 2020 for the Capital Reduction.
- The Capital Reduction offer price is A\$0.0185 per CDI. This price represents a 5% premium to the ASX Volume Weighted Average Price for the 5-day trading period preceding 30 October 2020 ("VWAP"). The Capital Reduction will be completed by 7 January 2021.
- The resolution to delist the Company which was put to shareholders on 2 December 2020 and was supported by the majority of shareholders with 66.66% voting in favour of delisting however the threshold for approval under the ASX Listing Rules is 75%. Accordingly, the resolution did not pass. Given the strong support to delist together with strong third party interest in investing if Simavita were unlisted, the Board will seek to resubmit the delisting resolution to shareholders at the January Special Meeting (Delisting Resolution).

For further information, please check our website (www.simavita.com) or contact:

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This ASX announcement was approved and authorised for release by Mr Michael Spooner, Executive Chairman of Simavita Limited

About Simavita

Simavita (ASX: SVA) is a MedTech Company focused on the development of smart, wearable and disposable platform technologies for the health care market.

Our key platform AlertPLUS™ is a highly disruptive technology focused on transforming a traditional “dumb” diaper into a smart device to help parents and carers of both infants and adults.

With the support of our CDI holders, customers and employees, Simavita is absolutely committed to the business at hand; creating a commercially successful and growing corporation. www.simavita.com

Forward-Looking Information

This document may contain “forward-looking information” within the meaning of Canadian securities laws (“forward-looking information”). This forward-looking information is given as of the date of this document.

Forward-looking information relates to future events or future performance and reflects Simavita management’s expectations or beliefs regarding future events. Assumptions upon which such forward-looking information is based include that Simavita will be able to successfully execute on its business plans. Many of these assumptions are based on factors and events that are not within the control of Simavita and there is no assurance they will prove to be correct.

In certain cases, forward-looking information can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “potential”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”,

or variations of such words and phrases or information that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved” or the negative of these terms or comparable terminology. By its very nature forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Simavita to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Such factors include, among others, risks related to actual results of current business activities; changes in business plans and strategy as plans continue to be refined; other risks of the medical devices and technology industry; delays in obtaining governmental approvals or financing or in the completion of development activities; as well as those factors detailed from time to time in Simavita’s interim and annual financial statements and management’s discussion and analysis of those statements. Although Simavita has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Simavita provides no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information.

SCHEDULE A – TERMS OF DEBT NOTES AND CONVERSION TERMS SUBJECT TO CDI HOLDER APPROVAL

Term	Description
Use of Funds:	To focus on the Corporation's business model by continuing to bring its software platform technology Smartz™ to market and for other working capital purposes.
Interest:	Coupon rate of 5% per annum, with all interest payable upon the earlier of conversion, redemption or the Maturity Date.
Maturity Date:	February 28, 2021
Security and priority:	The Convertible Notes will be secured convertible notes. A general securities deed poll granting security over the entire Corporation's assets and undertakings in Australia will be executed by the Corporation in favour of each 2020 Noteholder. The security shall cease as the Convertible Notes are converted or redeemed. The secured money owing to each Noteholder by the Corporation shall rank pari passu and pro rata between each 2020 Noteholder without any preference or priority between them. The Note Deed includes general terms governing Noteholders conducting Noteholder meetings and a process for actions that may be taken by the Noteholders.
Conditions Precedent	<p>Conditions Precedent to the 2020 Note subscriptions include:</p> <p align="center">(i) the General Security Deed is executed by the Corporation;</p> <p>If the conditions for the notes are not met by 31 January 2021 any funds already advanced must be repaid.</p>
Requisite Approvals	<p>The Convertible Notes will remain debt notes unless and until the Corporation obtains all Requisite Approvals. "Requisite Approvals" comprise:</p> <ul style="list-style-type: none"> (a) CDI Holder and CDI holder approvals under the applicable listing rules of the ASX; (b) ASX final approvals or waivers; (c) Consent of any existing noteholders and (d) Australian and Canadian corporate law approvals required under applicable law, regulation or policy requirements, <p>in each case for the issue of the Notes as debt instruments, for these Notes to be regarded as convertible into CDIs and for the issue of the CDIs upon Conversion of the Notes.</p> <p>Subject to obtaining all Requisite Approvals, the 2020 Notes already issued will be regarded as convertible into CDIs.</p> <p>If the Requisite Approvals are not obtained by 31 January 2021 the Notes will remain a secured debt note, but the interest will accrue thereafter at a higher rate (10%) and the relevant Noteholders may upon 15 Business Days' notice after the Sunset Date require the Notes to be redeemed.</p>

<p>Repayment:</p>	<p>Repayment is due on earlier of:</p> <ul style="list-style-type: none"> • Maturity Date (if required by the Noteholder and not already Converted); or • the occurrence of an Event of Default. <p>If repayment is due to the occurrence of an Event of Default the Corporation must redeem the relevant Notes by paying the Principal outstanding plus Accrued Interest (including interest at the annual rate of 10% as from the date of service of the default redemption notice)</p>
<p>Events of default:</p>	<p>The Convertible Note Deed also includes customary events of default including:</p> <ul style="list-style-type: none"> • the Corporation breaches a material term of the Deed; • any warranty is materially misleading or untrue; • occurrence of an insolvency event; • Court judgement in excess of \$100,000 is obtained against the Corporation. • The Delisting resolution is not passed on or before 5pm on the Maturity Date
<p>Covenants</p>	<p>The Corporation provides each Noteholder with usual commercial covenants for a transaction such as this Financing</p>
<p>Transferability</p>	<p>The Notes are not transferable.</p>
<p>Conversion</p>	<p>The Convertible Notes may be converted by the Noteholder at any time, and will automatically convert into CDIs upon the shareholders approving the resolution to delist the Company from the ASX.</p> <p>The number of CDIs to issue upon Conversion is calculated by dividing the sum of the principal amount paid under the Convertible Notes plus accrued interest; by the Conversion Price. The Conversion Price shall be determined as follows:</p> <ol style="list-style-type: none"> (a) upon the shareholders approving the resolution to delist the Company from the ASX the Conversion Price is the lower of \$0.013 or the 5 day VWAP prior to the delisting date. (b) where a Noteholder elects to Convert, the Conversion Price is the lower of \$0.013 or the 5 day VWAP prior to Conversion date or (c) upon the "Maturity Date" the Conversion Price is equal to \$0.0003. <p>Where the CDIs are reconstructed, consolidated, divided or reclassified into a lesser or greater number of securities under circumstances not otherwise contemplated by the Note Terms or the Note Deed, the Conversion Price and / or Conversion Number shall be adjusted by the Company as it reasonably considers appropriate, having first obtained independent confirmation of the adjustment.</p>

Conversion Examples

For completeness, examples of the conversion price and the maximum number of CDIs that can be issued on conversion is set out in the table below

Conversion Price	Shares on Issue as at date of Notice	Shares Issued on Conversion	Dilution to shareholders (%)
\$0.013	1,153,865,910	176,923,076	15.3%
\$0.010	1,153,865,910	230,000,000	19.9%
\$0.003	1,153,865,910	766,666,666	66.4%

SCHEDULE B – ASX WAIVER

The Company has been granted a waiver by ASX from seeking member approval under ASX Listing Rule 10.1 (“ASX Waiver”) to the extent necessary to permit the Company to grant security over the assets and undertakings of the Company and its subsidiaries in favour of entities associated with both entities controlled by Mr Peter Reilly by virtue of S608(1) of the Corporations Act 2001, namely, Parmelia Pty Ltd (“Parmelia”) and an entity controlled by Parmelia, namely Chevron Corporation Pty Ltd (“Chevron”) (collectively, “Mr Reilly”) (the ‘Security’) up to an aggregate subscription of approximately \$1 million without obtaining securityholder approval. Mr Reilly has previously been a holder of up to 10% of the Company’s securities over the last six months and therefore a party covered by ASX Listing Rule 10.1.

The ASX Waiver applies with respect to a general security deed (granted in connection by the Company, with respect to a subscription by Mr Reilly of \$1,000,000 worth of Debt Notes. The Company chose to enter into the agreement with Mr Reilly and enter into the general security deed, after having considered the potential sources of funds available to the Company, and the costs of those funds. The facility with Mr Reilly and other investors presented the best available financing option available to the Company and Mr Reilly has continued to support the Company over a substantial period. The Board is of the view that the terms of the Debt Notes / Convertible Notes were negotiated on arm’s length commercial terms and represent reasonable market terms for the Company in its current financial position and also similar terms that have been negotiated in relation to previous debt notes and convertible notes. The Company also considered alternatives available to the Corporation (including the potential adverse impact on the value of the Corporation’s assets if the group was placed into administration). Key conditions of the waiver are set out in Schedule C.

As the Debt Notes are proposed to be converted into CDIs, the Company proposes that repayment of the Debt Notes occurs via the issue of CDIs, once CDI holder approval of the conversion to Convertible Notes occurs and the Delisting Resolution is passed, which will occur following the SGM on 20 January 2021. Shortly after 20 January 2021 and issue of the Convertible Notes, the Company will discharge the Security. However, there is no guarantee that Shareholders/CDI Holders will approve the convertibility of the Debt Notes or the issue of the Convertible Notes, or the Delisting Resolution is passed – in which case the Corporation will be in default under the terms of the 2020 Note Deed - entitling the Noteholders to require the Corporation to immediately repay the principal amount under the Debt Notes (AUD\$2,300,000) plus interest.

Based on the Corporation’s financial position, the Board believes that there is significant uncertainty as to whether the Corporation would be able to successfully refinance the Debt Notes by their repayment date, or secure alternative funding, if shareholder/CDI holder approval is not forthcoming. The Corporation is unlikely to have sufficient funds to be able to meet its ongoing commitments in respect of its assets. In these circumstances, the Board believes that it is highly likely that the Corporation will become insolvent and that Shareholder/CDI Holders will lose all or significant portion of their investment. If shareholders/CDI holders do not approve the proposed Resolution to convert the Debt Notes and Issue the Convertible Notes, the Corporation believes it would need to call an immediate trading halt in the Corporation’s securities until such time as there was sufficient certainty that the Corporation could redeem the Debt Notes.

SCHEDULE C - CONDITIONS OF ASX WAIVER – ASX LISTING RULE 10.1

- 1.1 The Security includes a term that if an event of default occurs or Mr Reilly exercises its rights under the Security, neither Mr Reilly nor any of its associates can acquire any legal or beneficial interest in an asset of the Company or its subsidiaries in full or part satisfaction of the Company's obligations under the Security, or otherwise deal with the assets of the Company, without the Company first having complied with any applicable listing rules, including listing rule 10.1, other than as required by law or through a receiver, or receiver or manager (or analogous person, including without limitation an administrator or liquidator) appointed by the Company or Mr Reilly exercising its power of sale under the Security and selling the assets to an unrelated third party on arm's length commercial terms and conditions and distributing the cash proceeds to the Company, and/or Mr Reilly in accordance with their legal entitlements.
- 1.2 A summary of the material terms of the Security is made in each annual report of the Company during the term of the Security.
- 1.3 Any variations to the terms of the Security which is:
 - 1.3.1 not a minor change; or
 - 1.3.2 inconsistent with the terms of the waiver, must be subject to securityholder approval.
- 1.4 The Company or Mr Reilly must seek to discharge the Security when the funds advanced under the secured notes are either repaid to Mr Reilly, or converted into CDIs (assuming securityholder approval for their convertibility is subsequently obtained), or if it is not discharged, seek securityholder approval for the continuation of the Security for any further period.
- 1.5 The Company immediately releases to the market an announcement which sets out the terms of the waiver upon finalisation of the agreement with Mr Reilly.
- 1.6 The Company immediately releases to the market an announcement which sets out the material terms of the transaction and this waiver upon finalisation of the general security deed, including:
 - 1.6.1 the Company's plans with respect to the repayment of the funds advanced under the general security deed, and discharge of the Security, including the timeframe within which it expects the repayment and discharge to occur; and
 - 1.6.2 a statement of the reasons why the Company has chosen to obtain a financial accommodation from a listing rule 10.1 party rather than a lender that is not a related party, and the steps the Company's board has taken to satisfy itself that the transaction is being entered into on arms' length terms and is fair and reasonable from the perspective of the Company's securityholders.