

SAFE Note Subscription Agreement

Hydra Light International Limited

(Company)

The entity named in Schedule 1

(Subscriber)

Date:

Details

Parties		
Company	Name	Hydra Light International Limited
	ACN	168 963 960
	Address	'Bank House' Suite 2, Level 2, 11-19 Bank Place, Melbourne VIC 3000
	Email	[gerry@hydracellpower.com]
Subscriber	Name	The entity named in Item 1 of Schedule 1
Date of Deed	See Cover Page	

Terms

Introduction

- A. The Company is undertaking the Capital Raising.
- B. As part of the Capital Raising, the Company has agreed to offer the SAFE Notes to the Subscriber and the Subscriber has agreed to subscribe for the SAFE Notes on the terms and conditions of this Agreement.

It is agreed

1. Interpretation

1.1 Definitions

In this Agreement and all documents issued under this Agreement, unless the context otherwise requires:

- (a) *Agreement* means this SAFE Note Subscription Agreement;
- (b) *Business Day* means a day not being a Saturday, Sunday or public holiday on which banks (as defined in the *Banking Act 1959* (Cth)) are open for general banking business in Victoria, Australia;
- (c) *Capital Raising* means the issue of SAFE Notes by the Company to existing and third-party investors in an aggregate amount of \$3,500,000, with an ability to take oversubscriptions;
- (d) *Conditions* in relation to a SAFE Note means the terms and conditions on which the SAFE Note is issued, and which are set out in Schedule 2;
- (e) *Constitution* means the constitution of the Company;
- (f) *Corporations Act* means the *Corporations Act 2001* (Cth);
- (g) *External Administrator* means an administrator, receiver, receiver and manager, trustee, provisional liquidator, liquidator, statutory manager or any other person (however described) holding or appointed to an analogous office or acting or purporting to act in an analogous capacity;
- (h) *Insolvency* means, in respect of a person, the occurrence of any of the following:
 - (i) an application or an order is made for the appointment of an External Administrator in respect of the person (unless the application is withdrawn or dismissed within 14 days);

- (ii) an application or an order is made for the Winding Up of the person (unless the application is withdrawn or dismissed within 14 days);
- (iii) a resolution is passed, or a meeting is convened to consider a resolution, for the Winding Up of the person (other than for the purpose of a reconstruction or amalgamation, while solvent);
- (iv) the person is, or states that it is, unable to pay its debts when they fall due or is deemed unable to pay its debts, or must be presumed by a court to be insolvent, under any applicable legislation (other than as a result of a failure to pay a debt or claim which is the subject of a good faith dispute);
- (v) the person enters into or resolves to enter into any arrangement, composition or compromise with or assignment for the benefit of its creditors generally or any class of its creditors;
- (vi) the person:
 - (A) proposes a reorganisation, moratorium or other form of administration involving any such arrangement, composition, compromise or assignment;
 - (B) begins any negotiations for any such purpose; or
 - (C) begins any negotiations for the purpose of any re-scheduling or re-adjustment of all or a material part of its monetary obligations;
- (vii) the person takes any steps to obtain protection or is granted protection from its creditors under the laws of any applicable jurisdiction;
- (viii) an External Administrator is appointed to the person over any of its assets or the person requests such appointment;
- (ix) the person is deregistered under section 601AA, 601AB or 601AC of the Corporations Act; or
- (x) the person stops or threatens to stop carrying on its business or a material part of it;
- (i) *Issue Date* means the date on which the SAFE Notes are issued by the Company;
- (j) *Ordinary Share* means (subject to any re-organisation or reconstruction of capital) one fully paid ordinary share in the capital of the Company;
- (k) *Register* means the register of Subscribers kept under this Agreement;
- (l) *Subscription Amount* means the amount to be advanced by the Subscriber to the Company, as set out in Item 2 of Schedule 1;
- (m) *SAFE Note* means a converting note created and issued on the Conditions;

- (n) *Subsidiary* has the meaning given in section 46 of the *Corporations Act*; and
- (o) *Winding Up* includes:
 - (i) dissolution, liquidation, provisional liquidation and bankruptcy; and
 - (ii) a procedure which is equivalent or analogous in any jurisdiction.

1.2 Interpretation

In this Agreement and all documents issued under this Agreement, unless otherwise indicated by the context:

- (a) headings are for ease of reference only and do not affect the meaning of this Agreement;
- (b) the singular includes the plural and vice versa and words importing a gender include other genders;
- (c) other grammatical forms of defined words or expressions have corresponding meanings;
- (d) a reference to a clause, paragraph, schedule or annexure is a reference to a clause or paragraph of or schedule or annexure to this Agreement and a reference to this Agreement includes any schedules and annexures;
- (e) a reference to a document or agreement, including this Agreement, includes a reference to that document or agreement as novated, altered or replaced from time to time;
- (f) a reference to 'AUD', 'AU\$', 'dollar' or '\$' is a reference to Australian currency;
- (g) a reference to a specific time for the performance of an obligation is a reference to that time in the State, Territory or other place where that obligation is to be performed;
- (h) a reference to a party includes its executors, administrators, successors and permitted assigns;
- (i) a reference to a person includes a partnership, joint venture, unincorporated association, corporation and a government or statutory body or authority;
- (j) words and expressions importing natural persons include partnerships, bodies corporate, associations, governments and governmental and local authorities and agencies;
- (k) a reference to any legislation or statutory instrument or regulation is construed in accordance with the *Acts Interpretation Act 1901 (Cth)* or the equivalent State legislation, as applicable;
- (l) despite paragraph 1.2(k), words and expressions defined by reference to the Corporations Act have the meanings given to them in the Act as at the date of this Agreement; and

- (m) a reference to writing includes typewriting, printing, lithography, photography and any other method of representing or reproducing words, figures or symbols in a permanent and visible form.

2. Issue of Notes

2.1 By entering into this Agreement:

- (a) the Subscriber agrees to pay the Subscription Amount to the Company;
- (b) the Company agrees to create and issue the SAFE Notes to the Subscriber subject to the Conditions and this Agreement; and
- (c) the Subscriber agrees to subscribe for the SAFE Notes.

2.2 The Subscription Amount will be deemed to be the price payable for the SAFE Notes.

2.3 Upon receipt of the Subscription Amount, the Company agrees to issue and allot to the Subscriber the SAFE Notes subscribed for under clause 2.1(c).

3. Representations and Warranties

3.1 The Company represents and warrants to the Subscriber that as at the date of this Agreement and, separately, as at the Issue Date:

- (a) it is properly incorporated and validly existing under the laws of its place of incorporation;
- (b) its capital structure is as set out in Schedule 3;
- (c) it has complied with all requirements and obtained all necessary approvals under the Corporations Act and the Constitution to enable the Company to enter into this Agreement and comply with its obligations under this Agreement;
- (d) it is empowered to enter into this Agreement and to carry out any transaction or obligation contemplated by this Agreement;
- (e) all intellectual property rights which are, or are likely to be, material to the business of the Company are, comprehensively and free of encumbrances, vested in the Company; and
- (f) no event of Insolvency has occurred in relation to the Company.

3.2 By entering into this Agreement, the Subscriber acknowledges that:

- (a) the SAFE Notes are offered to the Subscriber hereunder, by the Company, without disclosure pursuant to section 708 of the Corporations Act;
- (b) the offer and issue of the SAFE Notes and the Ordinary Shares issued upon conversion of the SAFE Notes to the Subscriber is a personal offer of shares and the Subscriber may not,

and may not agree to, transfer or agree to transfer the SAFE Notes or the Shares issued on conversion of the SAFE Notes unless authorised by and in compliance with the provisions of the Corporations Act;

- (c) it has made its own assessment of the business, assets, liabilities and prospects of the Company and the rights in and attaching to the SAFE Notes;
- (d) it has received independent legal advice or has had the opportunity to receive independent legal advice;
- (e) the Company does not make any recommendation as to whether the Subscriber should subscribe for the SAFE Notes, nor does it make any representation or warranty to the Subscriber concerning the merits of the Company or the SAFE Notes, the value of the SAFE Notes, or the risks of subscribing for the SAFE Notes; and
- (f) no disclosure document has been prepared or lodged with ASIC in connection with the offer of the SAFE Notes.

3.3 The Subscriber warrants that:

- (a) the issue of the SAFE Notes to the Subscriber by the Company is an issue that does not require the Company to lodge a disclosure document with ASIC for the purposes of Chapter 6D of the Corporations Act; and
- (b) if the Subscriber is outside Australia, it is a person to whom an invitation or offer to subscribe for the SAFE Notes in the manner contemplated by this Agreement is permitted by the laws of the jurisdiction in which the Subscriber is situated or where the Subscriber was made a verbal offer and to whom the SAFE Notes can lawfully be issued under all applicable laws, without the need for any registration or lodgment or preparation of a disclosure document.

4. Undertakings

The Company undertakes to the Subscriber that so long as the SAFE Note remains outstanding it will:

- (a) comply with the Conditions; and
- (b) procure that no rights (including but not limited to voting rights) attaching to any class of issued shares will be altered so as to prejudice any rights relating to the Ordinary Shares which are to be issued in consequence of the conversion of the SAFE Notes without the prior written consent of the Subscriber.

5. Costs

Each party must bear its own costs of preparing and executing this Agreement, except that the Company must pay all stamp duty on this Agreement.

6. No Waiver

A failure of a party at any time to require full or partial performance of any obligation under this Agreement will not affect in any way the rights of that party to require that performance subsequently.

7. Notice

7.1 A notice or other communication required or permitted to be given by one party to another must be in writing and:

- (a) delivered personally;
- (b) sent by pre-paid mail to the address of the addressee specified in this Agreement;
- (c) sent by email to the email address of a Party as notified in this Agreement or such other email address notified as being the email address to use for the purposes of this clause.

7.2 A notice or other communication is taken to have been given (unless otherwise proved):

- (a) if mailed from Australia to an address within Australia, on the second Business Day after posting;
- (b) if mailed from Australia to an address outside Australia or mailed from outside Australia to an address within Australia, on the fifth Business Day (at the address to which it is mailed) after posting; or
- (c) if sent by email:
 - (i) where the email is sent during a Business Hour on a Business Day, on return of a receipt produced by the system to which the email was sent which confirms successful transmission of the email to the email address of the recipient or, where no return receipt is produced by the recipient's email system, by the end of the last Business Hour on the day the email was sent;
 - (ii) where the email is sent after the end of the last Business Hour on a Business Day or on a non-Business Day, the email will be deemed to be received at the beginning of the first Business Hour on the next Business Day.

7.3 The address for service of each party is set out in this Agreement. A party may change its address for service by giving notice of that change in writing to the other party.

7.4 The provisions of this clause are in addition to any other mode of service permitted by law.

8. Severability

Part or all of any provision of this Agreement which is illegal or unenforceable may be severed from this Agreement and the remaining provisions of this Agreement will continue in force.

9. Governing Law

This Agreement is governed by the laws of the State of Victoria and each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the Courts of that State.

EXECUTED AS AN AGREEMENT:

EXECUTED for and on behalf of **HYDRA
LIGHT INTERNATIONAL LIMITED (ACN 168
963 960)** in accordance with Section 127(1) of
the *Corporations Act 2001*:

Signature of Director

Signature of Director/Secretary

Name of Director

Name of Director/Secretary

[insert signing clause for Subscriber]

SCHEDULE 1**SUBSCRIBER DETAILS AND SUBSCRIPTION AMOUNT**

Item	Detail	
1.	Name	[insert]
2.	Subscription Amount	\$(insert)
3.	Address	[insert]
4.	Email	[insert]

SCHEDULE 2**CONDITIONS OF ISSUE OF SAFE NOTES**

1. Definitions

- 1.1 Words and expressions defined in the SAFE Note Subscription Agreement ('Agreement') have the same meaning in these Conditions, unless the context otherwise requires.
- 1.2 In addition, in these Conditions, unless the context otherwise requires:-
- (a) *Conversion Date* means, in relation to a SAFE Note, the date with effect from which that SAFE Note is converted into Ordinary Shares following completion of a Liquidity Event;
 - (b) *Conversion Shares* means the number of Ordinary Shares in the Company determined by the formula set out in Condition 3.3 below;
 - (c) *Exit Event* means any one or more of a Share Sale, IPO or a Trade Sale;
 - (d) *IPO* means an initial public offering of shares in the Company or a subsidiary of the Company for the purposes of a listing on ASX or other securities exchange;
 - (e) *Liquidity Event* means:
 - (i) the next raising of funds by the Company by the issue of Ordinary Shares in the Company immediately following the execution of the Agreement (other than the Capital Raising); or
 - (ii) an Exit Event;
 - (f) *Ordinary Share* means a fully paid ordinary share in the capital of the Company;
 - (g) *Share Sale* means the sale by Shareholders (in one transaction or a series of connected transactions) to a third-party purchaser of all of the issued Ordinary Shares provided that no sale or transfer undertaken to effect a corporate reorganisation of the Company (or the corporate group to which it belongs) will constitute a 'Share Sale';
 - (h) *Shareholders* means the holders of Ordinary Shares; and
 - (i) *Trade Sale* means a sale, transfer or disposal of all or substantially all of the assets and undertaking of the Company.
- 1.3 The general interpretation provisions (clause 1.2) of the Agreement are incorporated in these Conditions as if set out in full.

2. General Terms of Issue

- 2.1 Each SAFE Note is convertible into Ordinary Shares in the manner and at the times provided by Conditions 3 and 4.
- 2.2 Each SAFE Note has a face value of \$1.00.
- 2.3 SAFE Notes do not bear interest.

3. General Rights of Conversion

- 3.1 Conversion of any SAFE Note is conditional upon and shall not be permitted unless and until the Company experiences a Liquidity Event.
- 3.2 Each SAFE Note will automatically convert into the number of Ordinary Shares determined in accordance with Condition 3.3 upon the completion of a Liquidity Event.
- 3.3 SAFE Notes converted pursuant to Condition 3.2 are convertible into the number of Ordinary Shares in the capital of the Company calculated in accordance with the following formula:

$$N = SA / (DR \times EV / n)$$

where:

- (i) N is the number of Ordinary Shares into which the SAFE Notes may be converted; and
- (ii) SA is the total Subscription Amount paid by the Holder;
- (iii) DR is the discount rate being 0.8;
- (iv) EV is the agreed enterprise value of the Company as at the date of the Liquidity Event; and
- (v) n is the post-Capital Raising number of Ordinary Shares in the Company plus any Ordinary Shares issued between the date of the Agreement and the Conversion Date as a result of convertible rights in the Company.

4. Conversion**4.1 Liquidity Event**

As soon as the Company becomes aware that a Liquidity Event is likely to occur, the Company must give written notice to the Subscriber of the details of the Liquidity Event.

4.2 Conversion Shares

- (a) On the Conversion Date, the Company must:

- (i) issue the Conversion Shares to the Subscriber free from encumbrances and other third-party rights;
- (ii) deliver a certificate for the Conversion Shares to the Subscriber; and
- (iii) register the Subscriber as the holder of the Conversion Shares in the Company's register of members.

5. Allotment of Shares

- 5.1 The Company must allot the Ordinary Shares to which the Subscriber is entitled within 10 days of the Conversion Date. The allotment will have effect and be deemed to have been made on that Conversion Date.
- 5.2 Ordinary Shares allotted on conversion of a SAFE Note will rank equally in all respects and form one class with the Ordinary Shares on issue at the Conversion Date and without limitation, those Ordinary Shares will rank equally with all Ordinary Shares for any dividends declared or paid after that conversion.

6. Participation in Bonus Issues and Capital Reconstructions

- 6.1 If prior to any Conversion Date, the Company makes a bonus issue of Ordinary Shares, the Subscriber shall have allotted to it on the Conversion Date Ordinary Shares in the capital of the Company on the same terms and conditions as the Ordinary Shares under the bonus issue were allotted.
- 6.2 In the event of any reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company, the number of Ordinary Shares into which the SAFE Notes will be converted will be reconstructed in a manner which will not result in any benefit or detriment being conferred on the Subscriber which are not conferred on Shareholders of the Company.

7. Nature of Ordinary Shares

Ordinary Shares to be allotted on conversion of a SAFE Note will be shares with respect to which no provision is made (whether by the Constitution or otherwise) for changing or converting them into shares of another class, except for the purpose of enabling a consolidation and division of all or any of the share capital of the Company or the subdivision of all or any of the shares in the capital of the Company in accordance with the Corporations Act.

8. Cancellation of SAFE Note

Each SAFE Note converted will thereupon be cancelled and may not be re-issued.

9. Status

Each SAFE Note will constitute a contractual obligation of the Company.

10. Registers

10.1 The Company:

- (a) will cause to be established and maintained a Register of the issued and outstanding SAFE Notes; and
- (b) will cause to be entered in the Register the names and addresses of the Subscribers whose SAFE Notes are carried on that Register, the number of SAFE Notes held by each Subscriber and any other particulars as the Company thinks fit.

10.2 Any change of the name or address of a Subscriber must be notified immediately by the Subscriber in writing to the Company, accompanied, in the case of a change of name, by such evidence as the Company requires and the Register will be altered accordingly.

11. Transfer of SAFE Note

No Subscriber will be entitled, subject to these Conditions, to transfer a SAFE Note other than with the prior written consent of the Company. Any permitted transfer must be evidenced by an instrument in writing.

12. Title of SAFE Note, Non-Recognition of Equities

Subject to these Conditions, the Company will recognise only the Subscriber whose name appears in the Register as the absolute owner of the SAFE Note in respect of which it is entered in the Register, and the Company may act accordingly.

SCHEDULE 3

CAPITAL STRUCTURE OF HYDRA LIGHT INTERNATIONAL LIMITED

CAPITAL TABLE <i>(# of shares in millions)</i>	Pre SAFE Note Shares		Pre SAFE Note BUT Post Performance Shares					
	(June 2021)		Hurdle # 1		Hurdle # 2		Hurdle # 3	
	Shares	%	Shares	%	Shares	%	Shares	%
- Ordinary Shares:								
- Ordinary Equity Holders	31.90	94.9%	31.90	87.62%	31.90	81.36%	31.90	75.93%
- Outstanding Convertible Notes	0.46	1.4%	0.46	1.26%	0.46	1.17%	0.46	1.09%
- Share & Performance Options:								
- Executive Share Options	1.25	3.7%	1.25	3.43%	1.25	3.19%	1.25	2.98%
- Executive Performance Share Options (*)	-	0.0%	2.80	7.69%	5.60	14.29%	8.40	20.00%
- Total	33.61	100.0%	36.41	100.0%	39.21	100.0%	42.01	100.0%