

**AFTERPAY TOUCH GROUP LIMITED**  
(ASX: **APT**)

**ASX Announcement**

19 January 2018

The Manager  
Company Announcements  
Australian Securities Exchange  
Level 5, 20 Bridge Street  
SYDNEY NSW 2000

**By electronic lodgement**

**CLEANSING NOTICE UNDER SECTION 708A(12C)(E) OF THE CORPORATIONS ACT 2001 (CTH)**

**1. This Cleansing Notice**

Afterpay Touch Group Limited (ACN 618 280 649) (**APT** or **Company**) and Afterpay US, Inc. (**Afterpay US**) jointly give this cleansing notice (**Cleansing Notice**) under section 708A(12G) of the *Corporations Act 2001* (Cth) (**Corporations Act**) as amended by *ASIC Corporations (Sale Offers: Securities Issued on Conversion of Convertible Notes) Instrument 17-1135* (**ASIC Instrument 17-1135**).

The Company's wholly owned subsidiary, Afterpay US, Inc. (**Afterpay US**) has entered into a convertible promissory note agreement dated 16 January 2018 with Matrix Partners X, L.P (an unrelated third party investor) (**Investor**), under which Afterpay US will issue one or more series of convertible notes totalling US\$100,000 to two entities nominated by the Investor (each a **Holder**, together, the **Holders**) (**Convertible Notes**). The issue of Convertible Notes totalling US\$100,000 was completed on 19 January 2018.

The Convertible Notes have been issued without disclosure under Part 6D.2 of the Corporations Act. The issue of this Cleansing Notice enables the fully paid ordinary shares in the Company (**Shares**) to be issued by the Company on the conversion of the Convertible Notes on the terms described below, to be on-sold to retail investors without further disclosure.

The Company gives notice that:

- (a) the Convertible Notes were issued without disclosure to investors 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 (as modified).

Neither ASIC nor ASX take responsibility for the contents of this Cleansing Notice. The terms of the Convertible Notes are summarised out in section 4, below.

**2. Contents of this Cleansing Notice**

This Cleansing Notice sets out the following:

- (a) in relation to the Convertible Notes:

- (i) the effect of the issue on the Company;
  - (ii) a summary of the rights and liabilities attaching to the Convertible Notes; and
  - (iii) a summary of the rights and liabilities attaching to the Shares that will be issued on the conversion of the Convertible Note; and
- (b) any information that:
- (i) has been excluded from continuous disclosure notice 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
  - (iii) other information relating to the Company's status as a disclosing entity.

### 3. The effect of the issue on the Company

The principal effect of the issue of the Convertible Notes on the Company will be to:

- (a) increase the cash reserves of Afterpay US by US\$100,000;
- (b) increase the indebtedness of Afterpay US by the amount of the aggregate face value of the Convertible Notes (US\$100,000) plus all accrued and unpaid interest; and
- (c) increase the number of Shares on issue as a consequence of the issue of Shares on the conversion of the Convertible Notes, with the maximum number of Shares issued on conversion being 10% of the Company's current issued Shares.

### 4. Rights and liabilities attaching to the Convertible Notes

The following is a broad summary of the rights, privileges and restrictions attaching to the Convertible Notes. The summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of the Holder.

<b>Term and Maturity Date</b>	7 years from the date of the issue of the Convertible Notes.
<b>Total face value</b>	US\$100,000
<b>Interest</b>	6% per annum
<b>Security</b>	The Convertible Note is unsecured.
<b>Maximum number on conversion</b>	The maximum number of APT Shares to be issued under the Convertible Notes will not exceed 10% of the Company's current Shares on issue.
<b>Conversion terms</b>	Between 5 and 7 years from the Convertible Notes' date of issue ( <b>Exercise Period</b> ), the <b>Majority Holders</b> (Holders of at least a majority of the outstanding principal amount of the Convertible Notes) may elect to convert the Convertible Notes to APT Shares, based on a conversion value of up to 10% of the future value of Afterpay US in excess of US\$50 million, to be determined by independent valuation using valuation metrics, multiples and methods which the market is using to value APT at the time of conversion ( <b>Future Value Method</b> ). The conversion value will be issued in the form of APT Shares, valued at the

	market price of APT Shares at the relevant time. For example, if the assessed value of Afterpay US at the time of conversion were US\$70 million, then the value of APT Shares to be issued to the Holders would be $10\% \times (\$70m - \$50m) = \text{US\$}2m$ .
<b>Change of control &amp; conversion value</b>	<p>Upon the occurrence of a Change of Control event (defined below), the Company may, at any time after the Change of Control up to the end of the Exercise Period, notify the Holders that the Convertible Notes are to be converted and:</p> <ul style="list-style-type: none"> <li>• such notice will be deemed to constitute the delivery of an exercise notice by all of the Holders to the Company; and</li> <li>• the conversion value under the exercise notice will be the higher of: <ul style="list-style-type: none"> <li>○ the value as determined by the Future Value Method; or</li> <li>○ the lower of either US\$45 million or 2% of the market capitalisation of APT, calculated as the number of APT shares on issue when the Change of Control occurred.</li> </ul> </li> </ul> <p><b>Change of Control</b> means:</p> <ul style="list-style-type: none"> <li>• where a takeover bid is made for the Company in accordance with the Corporations Act and the bidder obtains a relevant interest in at least 50% of its Shares;</li> <li>• where a scheme of arrangement between the Company and its shareholders involving an acquisition of all APT Shares has been approved by the requisite majority of the shareholders of the Company; or</li> <li>• any other event which, if completed, would result in a person (other than the Holder or its related bodies corporate) having a relevant interest in more than 50% of the issued Shares of the Company or an economic interest in all or a material part of the assets of or business conducted by the APT Group.</li> </ul>
<b>Prepayment</b>	Afterpay US may not prepay the Notes prior to the Maturity Date without the consent of the Majority Holders.
<b>Events of default</b>	Insolvency of the Company or Afterpay US.
<b>Transferability</b>	The Convertible Note may be transferred only with the consent of Afterpay US, or to an affiliate of the Holder.
<b>Governing law</b>	State of Delaware.

## 5. Rights and Liabilities attaching to Shares issued under the Convertible Notes

The Shares to be issued to each Holder on the conversion of the Convertible Notes will rank equally in all respects with all of the Company's existing Shares. The rights attaching to Shares, including new Shares to be issued to each Holder on the conversion of the Convertible Notes, are set out in the Company's Constitution, and, in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules and the general law.

<b>General meetings</b>	Each Shareholder has the right to receive notice of and to attend and vote at general meetings of the Company.
<b>Voting</b>	Each Share has one vote on a poll, and a holder of Shares has one vote on a show of hands.
<b>Dividends</b>	Dividends may be paid to Shareholders as declared by the Board at its discretion.
<b>Rights on winding up</b>	If the Company is wound up, the Shares attract the right to participate equally in the distribution of the surplus assets of the Company.
<b>Transfer of Shares</b>	Generally, Shares 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 or the ASX Listings Rules.
<b>Variation of rights</b>	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 with the consent in writing of the holders of 75% 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.

## 6. 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 promptly and without delay any information which a reasonable person would expect to have a material effect on the price or the value of the Company’s 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 2017;
- (b) any half-year financial report lodged by the Company with ASIC after the lodgement of the annual financial report referred to in (a) and before the lodgement of this Cleansing Notice with ASX; and
- (c) any continuous disclosure documents given by the Company to ASX after the lodgement of the annual financial report referred to in (a) and before the lodgement of this Cleansing Notice with ASX.

A list of the continuous disclosure documents given by the Company to ASX after the lodgement of the financial report referred to in (a) and before the lodgement of this Cleansing Notice with

ASX is set out in the table below. All of these documents will be provided, free of charge, to any person on request.

Date		Announcement headline
17/01/2018		Change in substantial holding
16/01/2018		Final Director's Interest Notice
16/01/2018	‡	International Expansion & Strategic Relationship with Matrix
16/01/2018	‡	Quarterly Business Update
20/11/2017		Results of 2017 Annual General Meeting
20/11/2017		2017 AGM Presentation
20/11/2017		Chairman's Address at 2017 AGM
17/11/2017	‡	Funding Update - NAB Warehouse Facility Expansion
17/11/2017	‡	New Zealand Banking Facility Update
16/11/2017		Response to Financial Media
01/11/2017		Appendix 3B - Exercise of Employee Options
24/10/2017		Change of Director's Interest Notice
20/10/2017		Notice of Annual General Meeting/Proxy Form
18/10/2017	‡	Quarterly Business Update
17/10/2017		Appendix 3B - Exercise of Employee Options
05/10/2017		Change of Director's Interest Notice
29/09/2017		Change in substantial holding
27/09/2017	‡	Target partners with Afterpay
18/09/2017		Appendix 3B - Vesting of Performance Rights
13/09/2017	‡	Jetstar partners with Afterpay
01/09/2017	‡	S&P DJ Indices Announces September Quarterly Rebalance
30/08/2017		Terms of Appointment of Group Head
24/08/2017		Appendix 4G and Corporate Governance Statement
24/08/2017		FY17 Results Presentation
24/08/2017		FY17 Results Announcement

## 7. No excluded information

As at the date of this Cleansing Notice, the Company advises that it has 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 Convertible Notes and Shares.

Signed for **Afterpay Touch Group Limited and Afterpay US, Inc.:**



**Sophie Karzis**  
Company Secretary  
Afterpay Touch Group Limited