

APPENDIX 1 - CONVERTIBLE NOTE TERMS

Introduction

- A. Syft wishes to obtain additional funding for the conduct of its business.
- B. The Subscriber is willing to provide the funding to Syft by way of subscription for Convertible Notes, which Syft agrees to issue, and the Subscriber agrees to subscribe for, on the terms and conditions set out in these Convertible Note Terms.
- C. Syft will also issue the Subscriber warrants under the Warrant Terms on a 1:10 basis with the Convertible Notes.

It is agreed

1. Definitions and interpretation

1.1 Definitions

In these Convertible Note Terms, unless the context indicates otherwise:

ACC means Accident Compensation Corporation;

Ampersand means Ampersand 2020 Limited Partnership;

Business Day is a day other than Saturday or Sunday or a bank or statutory public holiday in Auckland, New Zealand;

Conversion means the conversion of Convertible Notes into Shares in accordance with the Terms and the words **Convert** and **Converted** have corresponding meanings;

Conversion Amount means the aggregate of:

- (a) Face Value of all Convertible Notes being Converted; plus
- (b) all accrued but unpaid interest on the Convertible Notes being converted up to and including the date that Shares are issued by Syft to the Subscriber under clause 4 of the Terms;

Conversion Date means the date of any Conversion;

Conversion Price means NZ\$0.30;

Convertible Note means a Convertible Note to be issued by Syft pursuant to these Convertible Note Terms, the terms of which are set out in the Terms;

Convertible Note Terms means these convertible note terms and the Terms;

Encumbrance includes mortgage, debenture, charge, lien, pledge, hypothecation, restriction against transfer, encumbrance, option, right of pre-emption and other security or third party interest (whether legal or equitable);

Face Value means \$1.00 per Convertible Note;

Final Repayment Date means 31 December 2023 (unless extended in accordance with clause 9 of the Terms);

Funding Round means the funding round being undertaken by Syft to raise \$5.5 million through the issue of convertible notes and warrants, of which these Convertible Note Terms forms part;

Insolvency Event means:

- (a) an order being made, or Syft's shareholders passing a resolution or any steps being taken to pass such a resolution, for Syft's liquidation or for Syft to be placed under official management or otherwise wound up or dissolved;
- (b) an application being made to a court for an order for Syft's liquidation or for Syft to be placed under official management or otherwise wound up, liquidated or dissolved (other than any such application which is frivolous or vexatious), or any steps being taken to seek such an order;
- (c) an administrator or statutory manager or similar official being appointed to Syft or a material part of its assets;
- (d) Syft resolving to appoint, or taking steps to appoint, a receiver or analogous person to that party or to any material part of its property;
- (e) an application being made to a court for an order to appoint a receiver, provisional liquidator, trustee for creditors or analogous person to Syft or any material part of its property (other than any such application which is frivolous or vexatious);
- (f) an appointment of the kind referred to in sub-paragraph (e) of this definition being made (whether or not following an application);
- (g) the holder of a security interest taking possession of any material part of Syft's property;
- (h) Syft suspending payment of its debts (that are not the subject of a bona fide dispute) or becoming unable to pay its debts when they are due; or
- (i) Syft taking any step to enable it to enter into a court-sanctioned compromise or arrangement with, or assignment for the benefit of, any of its creditors, unless such event takes place as part of a solvent reconstruction, amalgamation, merger or consolidation, or if it would not have a material adverse effect on the value of Syft's equity securities or the ability or capacity of a party to perform these Convertible Note Terms in accordance with its terms;

Issue Date means the date on which the Convertible Notes are issued in accordance with clause 3.1;

Offer means the offer of convertible notes and warrants under the 2023 offer document from Syft;

Rate means a rate of 12% per annum;

Register means a register established by Syft to record the Convertible Notes pursuant to clause 7 of the Terms;

Repayment Date means:

- (a) the Final Repayment Date;
- (b) such date as the parties may agree in respect of a specified number of Convertible Notes in order to utilise the proceeds of a capital raising by Syft;
- (c) the date on which an Insolvency Event occurs; or
- (d) the date specified by the Subscriber in a Repayment Notice under clause 5(b) of the Terms;

Repayment Notice means a notice issued in accordance with Clause 5(a) of the Terms;

Share means a second ranking preference share in the capital of Syft, on the terms set out in Schedule 2;

Subscriber's Nominated Account means the account nominated by the Subscriber in writing to Syft from time to time for the receipt of any repayment of the Subscription Price;

Subscription Price means the amount of the application by the Subscriber under the Offer;

Terms means the terms applicable to the Convertible Notes, set out in Schedule 1;

Warrants as defined in the Warrant Terms;

Warrant Shares as defined in the Warrant Terms; and

Warrant Terms means the warrant terms between, among others, the Subscriber and Syft.

1.2 Interpretation

In these Convertible Note Terms, headings are for convenience only and do not affect interpretation and, unless the contrary intention appears:

- (a) an **agreement or terms** includes that document as amended, assigned, novated or substituted from time to time;
- (b) **business day** means a day (other than a Saturday, Sunday or public holiday) on which registered banks are open for general banking business in Auckland, New Zealand;
- (c) **\$** means New Zealand dollars;
- (d) **encumbrance** means any interest of power created or arising in or over an interest in an asset under a mortgage, debenture, charge, lien, pledge, security interest (as that term is defined in section 17(1)(a) of the Personal Properties Securities Act 1999 (NZ)), title retention, preferential right or similar instrument, device or power, and includes any agreement or arrangement to create any of those interests;
- (e) a reference to a **clause or schedule** is a reference to a clause of, or schedule to, these Convertible Note Terms, and a reference to these Convertible Note Terms includes any schedule to it;

- (f) references to the words **include, including, for example** or **such as** are not to be interpreted as words of limitation, and when such words introduce an example, they do not limit the meaning of the words to which the example relates, or to examples of a similar kind;
- (g) a word importing the singular includes the plural and vice versa, and a word of any gender includes the corresponding words of any other gender;
- (h) if a word or phrase is defined, its other grammatical forms have a corresponding meaning throughout these Convertible Note Terms;
- (i) references to any statute include any amendment to, or replacement of, that statute and any subordinate legislation made under it, in each case whether before or after the date of the Offer;
- (j) no term or condition of these Convertible Note Terms or any document contemplated by these Convertible Note Terms will be construed adversely to a party solely on the ground that the party was responsible for the preparation of these Convertible Note Terms or a provision of it;
- (k) any reference to times or dates are references to that time or date in New Zealand; and
- (l) a reference to a party to these Convertible Note Terms or another document includes that party's successors, permitted assignees and substitutes.

2. **Subscription**

The Subscriber agrees to subscribe for Convertible Notes on and subject to the terms and conditions of these Convertible Note Terms, and will pay the Subscription Price to Syft.

3. **Terms of Issue**

3.1 **Creation of Convertible Notes**

Subject to the payment of the relevant Subscription Price, Syft will issue to the Subscriber the relevant Convertible Notes in accordance with clause 3.3.

3.2 **Payment of the Subscription Price**

The Subscription Price is to be paid by the Subscriber to Syft on the basis set out in the "Entitlement and Acceptance Form" for the Offer.

3.3 **Issue of Convertible Notes**

Upon receiving the Subscription Price from the Subscriber in accordance with clause 3.2, Syft will issue such number of Convertible Notes having in aggregate a Face Value equal to the relevant Subscription Price payment.

3.4 **Terms of issue**

Each Convertible Note will:

- (a) on issue, be free of all Encumbrances; and

- (b) be issued on the Terms.

3.5 **Notice on share register**

As soon as practicable after the Subscriber has been issued Convertible Notes, Syft must place on its share register a memorandum recording the issue of the Convertible Notes and attaching the Terms.

3.6 **Conversion**

- (a) Syft will Convert the Convertible Notes to Shares or repay the Subscription Price in accordance with the Terms.
- (b) The Subscriber agrees that it will hold any Shares issued to it on Conversion subject to and upon the terms of Syft's constitution then in force.

3.7 **Discharge and release**

Upon Conversion or repayment in accordance with clause 5 of the Terms, Syft will immediately be discharged and released from its liabilities, obligations, and covenants under these Convertible Note Terms in respect of the Convertible Notes the subject of the Conversion.

4. **Warranties and Covenants**

4.1 **Syft's warranties**

Syft warrants to the Subscriber that:

- (a) it has the necessary power and authority to enter into these Convertible Note Terms and to carry out its obligations hereunder (subject to any conditions being satisfied);
- (b) the carrying out of its obligations hereunder, have been duly authorised by all requisite corporate and shareholder action on its part (subject to any conditions being satisfied);
- (c) the carrying out of its obligations hereunder, do not and will not breach its constituent documents or any law or contract binding on Syft (subject to any conditions being satisfied).

4.2 **Time of warranties**

Each of the warranties set out in clause 4.1 is made on the date of the Offer and the Issue Date.

4.3 **Syft covenants**

Syft covenants with the Subscriber that, while any of the Convertible Notes and any Warrants remain outstanding, it will:

- (a) comply with the Terms;
- (b) maintain its corporate existence;
- (c) carry on and conduct Syft's business in a proper, lawful and efficient manner;

- (d) notify the Subscriber immediately if Syft's board of directors is aware that any Term cannot be fulfilled or is breached.

4.4 Binding nature of covenants

Syft is bound by each of the covenants set out in clause 4.3 for so long as any Convertible Notes and any Warrants are outstanding.

4.5 Subscriber warranties

- (a) The Subscriber represents and warrants to Syft on the date of the application under the Offer that it not a person in the jurisdiction in which it is based which requires a formal registered offer document for the offer or subscription of the Warrants or the Warrant Shares.
- (b) The Subscriber acknowledges and agrees that the Warrants and Warrant Shares are part of a wholesale offer of securities under which no registered product disclosure statement, prospectus or other formal registered offer document is required or available.

5. General

5.1 Amendments

No amendment or variation of these Convertible Note Terms is effective unless it is in writing signed by the parties.

5.2 No assignment

Neither party may assign or transfer all or part of its rights or obligations under these Convertible Note Terms without the prior written consent of the other (such consent it may withhold in its absolute discretion).

5.3 Entire agreement

These Convertible Note Terms, the Warrant Terms and the documents for the Offer constitutes the entire agreement of the parties concerning the subject matter of these Convertible Note Terms, and supersedes and cancels any previous representations, agreements, understandings or arrangements (whether written or oral) between the parties.

5.4 Governing Law and jurisdiction

These Convertible Note Terms are governed by, and are to be construed in accordance with, New Zealand law. The parties submit to the non-exclusive jurisdiction of the courts of New Zealand for the purpose of hearing and determining all disputes under, or in connection with, these Convertible Note Terms.

5.5 Contractual Party

The clauses of these Convertible Note Terms which provide that Ampersand and ACC make a decision/agreement binding on all holders of Convertible Notes (including the Subscriber) is for the benefit of and enforceable by each of Ampersand and ACC for the purposes of part 2 subpart 1 (contractual privity) of the Contract and Commercial Law Act 2017 (even if they are not parties to these Convertible Note Terms).

Schedule 1: Terms of Issue of the Convertible Note

1. Interpretation

- (a) References in these Terms to the “Convertible Note Terms” are to the Convertible Note Terms between the Subscriber and Syft.
- (b) Capitalised terms that are used but not defined in these Terms have the meaning given to them in the Convertible Note Terms.

2. Principal Terms

Each Convertible Note will:

- (a) be issued by Syft in accordance with these Terms;
- (b) be issued at Face Value;
- (c) be paid for in full by the Subscriber in accordance with clause 3.2 of the Convertible Note Terms;
- (d) bear interest in accordance with clause 3 of these Terms;
- (e) be repaid in accordance with clause 5 of these Terms and/or convert into Shares in accordance with clause 4 of these Terms;
- (f) be unlisted and not carry any dividend rights, or rights to vote at meetings of Syft’s shareholders.

3. Calculation of Interest

- (a) Subject to clauses 3(b) and 3(c) of these Terms, interest will accrue on each Convertible Note and be payable:
 - (i) from the date on which the initial Subscription Price is paid to Syft under clause 3.2 of the Convertible Note Terms up until either Syft issues Shares to the Subscriber under clause 4(b)(i)(A) of these Terms or the Convertible Note is repaid;
 - (ii) at the Rate; and
 - (iii) based on the number of days elapsed and a 365 day year.
- (b) Interest will compound daily and be payable in arrears every month from that date, with any payment to be made in respect of part of a year being made on a pro rata basis.
- (c) Any payment of interest in accordance with these Terms will be subject to any deductions which Syft is required to make on account of tax in accordance with any applicable law. Syft will not be required to “gross-up” any payment of interest on account of such tax.

4. Allotment of Shares on Conversion

- (a) The:
 - (i) Subscriber may not individually decide to Convert, but rather noteholders Ampersand and ACC may together (i.e. unanimously) agree to Convert all Convertible Notes on a date that is notified in writing to all holders of Convertible Notes and such a decision will be binding on all holders of Convertible Notes, including the Subscriber; and

- (ii) noteholders Ampersand and ACC may issue a Conversion notice to Syft during the period beginning from the date on which subscription monies have been paid up until the Final Repayment Date.
- (b) Following issue of the Conversion Notice:
 - (i) on the Conversion Date, Syft will:
 - (A) issue Shares to the Subscriber so that the Subscriber is issued such number of Shares as equal the Conversion Amount for the Convertible Notes divided by the Conversion Price;
 - (B) cancel the Convertible Notes; and
 - (C) enter the name of the Subscriber on Syft's share register as the holder of the Shares issued under clause 4(b)(i)(A) of these Terms and provide a copy of the updated share register to the Subscriber,whereupon the Subscription Price for the Shares the subject of the Conversion is taken to have been paid in full; and
 - (ii) the Shares issued by Syft to the Subscriber will be fully paid and will rank equally in all respects with all other Shares on issue by Syft.

5. **Repayment of Subscription Price**

- (a) Subject to clause 9 of these Terms, if the Subscriber provides a Repayment Notice ahead of the Final Repayment Date then Syft will repay on the Final Repayment Date (by payment to the Subscriber's nominated account) the Subscription Price along with all accrued but unpaid interest on the Convertible Notes. Immediately following such payment, those Convertible Notes will be cancelled.
- (b) If the full balance of the Subscription Price is, at any time, no longer required to meet Syft's funding requirements moving forward (the **Recall Amount**), as confirmed by Syft in writing to the Subscriber, then the Subscriber may provide a Repayment Notice to Syft for the Recall Amount and Syft will repay such Recall Amount (in reduction of the Subscription Price and, accordingly, the cancellation of the relevant number of Convertible Notes) within 10 business days of receiving such Repayment Notice (by payment to the Subscriber's nominated account).
- (c) If a Conversion Notice has not been issued on or before the Final Repayment Date, or the Subscription Price and all accrued but unpaid interest on the Convertible Notes has not been repaid under clause 5(a) of these Terms by the Final Repayment Date, Syft will repay on the Final Repayment Date (by payment to the Subscriber's nominated account) the Subscription Price along with all accrued but unpaid interest on the Convertible Notes. Immediately following such payment, those Convertible Notes will be cancelled.

6. **Cancellation**

Once a Convertible Note is cancelled by Syft in accordance with the Convertible Note Terms it will not be re-issued.

7. **Register**

Syft must establish and maintain or cause to be established and maintained a register identifying the holder of the Convertible Notes at its registered office. The Register will evidence the legal ownership of the Convertible Notes, notwithstanding the note certificates that may be issued.

8. **Assignment of Convertible Notes**

The Subscriber will be entitled to assign, in whole or in part, all of its rights to and interests in the Convertible Notes to any person and will, within two Business Days of any such assignment, notify Syft of the identity of the assignee.

9. **Extension of Final Repayment Date**

Syft and noteholders Ampersand and ACC may, all together (i.e. unanimously), agree to extend the Final Repayment Date to a date that is notified in writing to all holders of Convertible Notes, being a date that is no longer than six months from 31 December 2023. Such an agreement to extend will be binding on all holders of Convertible Notes, including the Subscriber.

Schedule 2: Terms of Second Ranking Preference Shares

1. Rights attaching to Second Ranking Preference Shares

Second Ranking Preference Shares will have the following rights attached to them:

- (a) the right to one vote for every Second Ranking Preference Share on a poll at a meeting of Syft on any resolutions;
- (b) the right to an equal share in dividends authorised by the board;
- (c) subject to paragraph 2 below, the right to an equal share in the distribution of the surplus assets of Syft;
- (d) the right of preference in any Liquidation Event of Syft as provided in paragraph 2 below; and
- (e) to be reclassified at any time at the option of the holder by written notice to Syft such that it has the same terms as an Ordinary Share provided that a holder of Second Ranking Preference Shares converts all (and not some only) of its Second Ranking Preference Shares to Ordinary Shares at the time of such reclassification.

2. Liquidation preference

Upon a Liquidation Event of Syft, following payment in full to Ampersand 2020 Limited Partnership in respect of its preference shares issued under the subscription agreement for preference shares between Syft and Ampersand 2020 Limited Partnership dated 2022:

- (a) if there are insufficient funds to make payment to holders of Second Ranking Preference Shares of an amount equal to the Subscription Price, each holder of the Second Ranking Preference Shares will receive a proportion of the available funds based on the proportion of the amount invested in Syft in respect of its Second Ranking Preference Shares against the total investment in Syft made in respect of all Second Ranking Preference Shares.
- (b) where there are sufficient funds available to pay the Subscription Price, then (in priority as among each other in order listed):
 - (i) the Subscriber will receive the greater of:
 - (A) the Subscription Price; or
 - (B) a proportion of funds based on the proportion of their shareholding to the total shares in Syft; and
 - (ii) the holders of Ordinary Shares will receive:
 - (A) where paragraph 2(b)(i)(B) applies, a proportion of funds based on the proportion of their shareholding to the total shares in Syft; or
 - (B) in all other instances, the amount left over after payment of the Subscription Price as set out in paragraph 2(b)(i)(A), with such amount

divided based on the proportion of Ordinary Shares held to the total Ordinary Shares in Syft.

In this Schedule 2:

Liquidation Event will include but not be limited to any:

- (a) liquidation, winding up, dissolution, or the like entered into by Syft of its own volition by Board, shareholder, or creditor action or any other return of capital by Syft (other than a dividend approved by the board of Syft or the conversion, redemption, or purchase of shares);
- (b) sale of (or the grant of a right to acquire or to dispose of) any of the shares of Syft (in one transaction or as a series of transactions) which will result in the purchaser of such shares (or grantee of such right) and its associates together acquiring an interest giving (directly or indirectly) the ability to control 50% or more of the voting rights of Syft (whether such control is exercised individually or jointly);
- (c) sale or other disposal of the assets of Syft which constitutes a "major transaction" as that term is defined in section 129 of the Companies Act 1993;
- (d) sale, lease, transfer, exclusive licence or other disposition of all or substantially all of the assets of Syft; or
- (e) merger or amalgamation (except where the shareholders of Syft own a majority by voting power of the outstanding shares of the surviving or acquiring company);

Ordinary Shares means ordinary shares in the capital of Syft;

Second Ranking Preference Shares means the preference shares the terms of which are set out in this Schedule 2.