



ASX RELEASE
14 October 2024

Cleansing Notice – Mercer Subsequent Tranche Convertible Notes – Toys'R'Us ANZ Limited ACN 063 886 199 (ASX Code: TOY)

Toys'R'Us ANZ Limited ACN 063 886 199 (**Company**) provides notice under s708A(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* (**Cleansing Notice**).

The Company 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 upon the conversion of the convertible notes issued by the Company on the terms described below (**Convertible Notes**) 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 20 March 2024, the Company entered into a convertible securities agreement with Mercer Street Global Opportunity Fund, II LP, (**Mercer**), a US-based investment fund managed by C/M Capital Partners, LP, to provide funding to the Company of up to \$4,200,000 via the issue of securities (**Convertible Securities Agreement**).

Pursuant to the Convertible Securities Agreement, the Company issued the following securities as consideration for the provision of the initial investment of \$700,000 by Mercer (**Initial Investment**):

	Post-Consolidation basis
First Convertible Notes <i>Issued on 3 June 2024, each with a face value of \$1</i>	793,000
First Commencement Shares <i>Issued on 3 June 2024, upon the issue of the First Convertible Notes</i>	2,060,312
First Options <i>Issued on 3 June 2024, upon the issue of the First Convertible Notes</i>	3,012,048

Under the Convertible Securities Agreement, Mercer and the Company can agree to additional drawdowns of between \$500,000 and not more than \$3,500,000 subject to the satisfaction of further closing conditions (**Subsequent Investment**).

For each Subsequent Investment, Mercer would also receive a 50% option coverage to purchase new shares in the Company (calculated using the relevant investment amount divided by 120% of the 10-day VWAP per Company share immediately prior to the issue of the Convertible Notes, determined in accordance with the Convertible Securities Agreement) (**Subsequent Options**).

Following the Initial Investment, the Company and Mercer agreed to Mercer subsequently investing a further \$785,000 in consideration for 863,500 Convertible Notes (each with a face value of \$1) (**Second Convertible Notes**) and 3,479,610 Subsequent Options.

Mercer and the Company have since agreed to Mercer advancing a Subsequent Investment of \$1,500,000 and in consideration of this advance, the Company has agreed to issue to Mercer 1,650,000 Convertible Notes (each with a face value of \$1) (**Third Convertible Notes**) and 8,903,134 Subsequent Options. The Subsequent Options will be issued concurrently with the Third Convertible Notes.

The tranches of funding for the First Convertible Notes, Second Convertible Notes and the proposed Third Convertible Notes are summarised below.

	Investment amount	Convertible Notes
First Convertible Notes <i>Completed 3 June 2024</i>	\$700,000	793,000
Second Convertible Notes <i>Completed 17 July 2024</i>	\$785,000	863,500
Third Convertible Notes <i>The subject of this Cleansing Notice</i>	\$1,500,000	1,650,000

A summary of the rights, privileges and restrictions attaching to the Third Convertible Notes are included in Schedule 1 to this Cleansing Notice. The summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of the Third Convertible Notes.

For further information in relation to the Convertible Securities Agreement, please refer to the Company's announcement dated 20 March 2024.

The Company will issue the Third Convertible Notes today.

For personal use only

2 Contents of this Cleansing Notice

This Cleansing Notice sets out the following:

- (a) in relation to the Third Convertible Notes:
 - (i) the effect of the issue on the Company;
 - (ii) a summary of the rights and liabilities attaching to the Third Convertible Notes; and
 - (iii) a summary of the rights and liabilities attaching to the Shares that will be issued on the conversion of the Third Convertible Notes, and
- (b) any information that:
 - (i) has been excluded from continuous disclosure notices in accordance with the ASX Listing Rules;
 - (ii) is information that investors and their professional advisers 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
 - (C) other information relating to the Company's status as a disclosing entity.

3 The effect of the issue on the Company

3.1 Effect of issue on the Company

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

- (a) the satisfaction of the Company's obligations under the Convertible Securities Agreement;
- (b) to increase the Company's cash reserves by up to \$1,500,000 (before costs);
- (c) an increase in the number of unquoted Convertible Notes on issue from 1,656,500 to 3,306,500;
- (d) the Company having an increase in liability for the aggregate amount of the Face Value (and any accrued but unpaid interest) of the Third Convertible Notes issued under the Convertible Securities Agreement; and
- (e) if the Third Convertible Notes are converted at the lowest possible conversion price (being \$0.05), a maximum increase in the number of Shares by 33,000,000 Shares.

3.2 Pro Forma Consolidated Statement of Financial Position

To illustrate the effect of the issue of the Third Convertible Notes on the Company, a pro forma Consolidated Statement of Financial Position (**Pro-forma Accounts**) has been

prepared based on the audited financial statements as at 31 July 2024 adjusted to reflect the proposed Third Convertible Notes issue and has been prepared on the basis of the accounting policies normally adopted by the Company. The Pro-forma Accounts show the effect of the issue of the Third Convertible Notes as if they had been issued on 31 July 2024.

The pro forma financial information is presented in an abbreviated form in so far as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements. The pro forma financial information is not audited. The classification of the allocations between debt and equity for the Convertible Notes may change in the future.

The Company advises that the Pro-forma Accounts do not show the current financial position of the Company as at the date of this Cleansing Notice, and that the information is provided for illustrative purposes only.

	31-Jul-24 Historical (Audited)	Impact of Convertible Notes	31-Jul-24 Proforma Accounts
	\$'000	\$'000	\$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	708	1,500	2,208
Trade and other receivables	0		0
Inventory and other current assets	1,499		1,499
Assets of group held for sale	16		16
TOTAL CURRENT ASSETS	2,223	1,500	3,723
NON-CURRENT ASSETS			
Property, plant and equipment	2,023		2,023
Right of use assets	8,186		8,186
Goodwill and other intangibles	2,837		2,837
Other Non-Current Assets	2,756		2,756
TOTAL NON-CURRENT ASSETS	15,802	0	15,802
TOTAL ASSETS	18,025	1,500	19,525
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	1,871		1,871
Contract liabilities / deferred revenue	66		66
Borrowings	14,838		14,838
Lease Liabilities	564		564
Derivative financial instruments	505		505
Employee Benefits	233		233
Provisions	222		222
Contingent consideration	210		210
Other current liabilities	1,779		1,779
Convertible Securities	-	1,650	1,650
Liabilities directly associated with disposal group held for sale	3,128		3,128
TOTAL CURRENT LIABILITIES	23,416	1,650	25,066
NON-CURRENT LIABILITIES			
Borrowings	390		390
Lease Liabilities – long term	8,728		8,728
Deferred tax liabilities	421		421
Employee benefits	0		0
Contingent consideration	252		252
TOTAL NON-CURRENT LIABILITIES	9,791	0	9,791
TOTAL LIABILITIES	33,207	1,650	34,857
NET ASSETS / (LIABILITIES)	(15,182)	(150)	(15,332)
EQUITY			
Issued capital	295,540		295,540
Reserves	549		549
Accumulated losses	(311,271)	(150)	(311,421)
TOTAL EQUITY/ (DEFICIENCY)	(15,182)	(150)	(15,332)

3.3 Potential effect on capital structure

- (a) As at the date of this Cleansing Notice, the total number of issued Shares is 151,262,158.
- (b) The capital structure of the Company will be affected by conversion of the Third Convertible Notes.
- (c) Subject to limits on the conversion under the Convertible Securities Agreement:
- (i) the Third Convertible Notes can be converted into Shares (at the relevant conversion price) at any time after their issue and prior to 15 months from the date of issue of the Third Convertible Notes (**Maturity Date**); and
 - (ii) if Mercer has not notified the Company in writing by 5:00 pm on the day that is 10 business days prior to the Maturity Date that it will be converting the Third Convertible Notes (in whole or in part), to the extent not already converted or repurchased prior to the Maturity Date, the Company must pay in full to Mercer the face value of the remaining Third Convertible Notes (and any accrued interest but unpaid interest) within 20 business days of the Maturity Date.
- (d) The effect on the capital structure of the Company upon the issue and conversion of the Third Convertible Notes is outlined below.

Upon issue:

Convertible Notes	Number
Number of Convertible Notes on issue as at the date of this Cleansing Notice	1,656,500
Number of Third Convertible Notes to be issued under the Convertible Securities Agreement	1,650,000
Total Number of Convertible Notes on issue following the issue of the Third Convertible Notes under the Convertible Securities Agreement	3,306,500

Upon conversion:

Shares	Number
Number of Shares on issue as at the date of this Cleansing Notice	151,262,158
Number of Shares to be issued upon conversion of the First Convertible Notes*	15,860,000
Number of Shares to be issued upon conversion of the Second Convertible Notes*	17,270,000
Number of Shares issued upon conversion of the Third Convertible Notes*	33,000,000
Total Number of Shares	217,392,158

**Calculated on the basis that the Convertible Notes are converted at the lowest possible Conversion Price, being \$0.05. The actual number of Shares to be issued on conversion will be calculated in accordance with the formula set out in Schedule 1.*

- (e) In addition, in conjunction with the issue of the Third Convertible Notes, the Company is required to issue 8,903,134 Subsequent Options

4 Rights and liabilities attaching to shares issued on conversion of Third Convertible Notes

The Shares issued to Mercer on the conversion of the Third Convertible Notes under the Convertible Securities Agreement will rank equally in 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 Convertible Notices.

Full details of the rights and liabilities attaching to the 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 the Shareholders.

(a) General Meeting

Shareholders are entitled to be present in person (which includes attendance in a virtual or hybrid meeting), or by proxy, attorney or representative to attend and vote at general meetings of the Company. Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution of the Company.

(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;
- (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 shall, in respect of each fully paid Share held by them, 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 as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

If a person present at a general meeting represents personally or by proxy, attorney or representative more than one Shareholder, on a show of hands the person is entitled to one vote only, even though he or she represents more than one Shareholder.

(c) Dividends and interim dividends

The Directors may pay any interim and final dividends.

(d) Dividend reinvestment plan

Subject to the ASX Listing Rules and the Corporations Act, the Directors of the Company may on terms they decide, implement a dividend reinvestment plan.

(e) **Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution of Shareholders, divide among the Shareholders the whole or any part of the property of the Company and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

(f) **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 or the ASX Listing Rules.

(g) **Future increase in capital**

Subject to the Constitution, the Directors may issue Shares and preference shares from time to time.

(h) **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) 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.

(i) **Alteration of Constitution**

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution at a general meeting passed by at least three quarters of votes validly cast for Shares 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.

(j) **Listing Rules**

If the Company is admitted to trading on the Official List, then despite anything in the Constitution, if the Listing Rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the Constitution to contain a provision and it does not contain such a provision, the Constitution is deemed to contain that provision. If the Listing Rules require the Constitution not to contain a provision and it contains such a provision, the Constitution is deemed not to contain that provision. If a provision of the Constitution is or becomes inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

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 statement 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 31 July 2024; and
- (b) 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 lodgement of the annual financial report referred to in paragraph (a) above and before the lodgement of this Cleansing Notice with ASX is set out in the table below.

Date	Announcements
09/10/2024	Annual General Meeting Date and Director Nominations

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 Convertible Notes and Shares.

This notice is authorised for release by the TOY Board of Directors.

Signed for and on behalf of Company:



Kim Larkin
Company Secretary

Schedule 1 – Terms and conditions of the Third Convertible Notes

Number of Convertible Notes	1,500,000
Subscription price	\$0.9091
Face value	Each Convertible Note will have a face value of \$1.00.
Maturity date	15 months from the date of issue.
Interest rate	Upon an event of default occurring, the Company must pay interest at a rate of 18% per annum on the amount of the face value of all Convertible Notes issued which have not been converted or repurchased, calculated daily and compounded monthly. Interest is not otherwise payable on the Convertible Notes.
Conversion of Convertible Notes	<p>If Mercer provides a conversion notice on or before the date that is two months after the date of execution of the Convertible Securities Agreement, the relevant Convertible Notes will convert into fully paid ordinary shares at 100% of the VWAP during the preceding ten (10) trading days on which Shares were traded on the ASX prior to the execution date (Conversion Price A).</p> <p>From two months after the execution date, as is the case for the Third Convertible Notes, the Convertible Notes will be convertible at the lesser of Conversion Price A, and 90% of the lowest VWAP during the preceding fifteen (15) trading days on which Shares were traded on the ASX immediately prior to notice of conversion by the investor, subject to a minimum conversion price of \$0.05 (on a post-consolidation basis) (the Floor Price).</p> <p>Mercer may convert any Convertible Notes at any time prior to maturity, by giving the Company a conversion notice, provided such conversion is for a face value in an amount equal to or greater than \$25,000 (unless the remaining face value of the Convertible Notes on issue is less than \$25,000, in which case for the full remaining value). The conversion will occur within three business days of receipt of the notice.</p> <p>The number of Shares to which Mercer is entitled upon conversion of the Convertible Notes is determined by the following formula:</p> <ul style="list-style-type: none"> (a) Number of Shares = RA / Conversion Price where: (b) RA means the Repayment Amount of the Convertible Note being converted. (c) Conversion Price means the applicable conversion price per Convertible Note. The applicable conversion price is set out below. <p>Upon conversion of the Convertible Notes those Convertible Notes:</p> <ul style="list-style-type: none"> (a) are cancelled and may not be reissued; and (b) the face value of the Convertible Notes which have been converted will be deemed satisfied.
Conversion by the Company	The Company has no right to require Mercer to convert any Convertible Notes at any time.
Repurchase	The Company has the right to repurchase any unconverted convertible securities, at any time during the term of each tranche, at 105% of the outstanding face value. If the repurchase is elected,

	Mercer will have the right to convert up to 30% of any outstanding face value prior to settlement.
Ranking on conversion	Shares issued on conversion of the Convertible Notes will rank equally with existing Shares on issue.
Reconstruction of capital	The Company must use reasonable endeavours to ensure that consolidation, subdivision or similar reconstruction of the issued capital of the Company does not occur without written approval of Mercer (which must not be unreasonably withheld).
Participation rights	The Convertible Notes will not carry any entitlement to participate in future issues of securities by the Company prior to any conversion of the Convertible Notes into Shares.
No Voting Rights	Except as required by the Corporations Act, the Convertible Notes will not carry a right to vote at meetings of the Company prior to any conversion of the Convertible Notes.
Default	The Convertible Securities Agreement is subject to a number of operating restrictions, and termination provisions which may prevent the Company drawing on the funding facility or requiring repayment of the Convertible Notes prior to maturity. This includes where there is an event of default that is not remedied; there is a change of control of the Company under a takeover bid or scheme of arrangement; and/or there is an adverse change in law or where the Company's shares are delisted from ASX.

