

ASX Announcement

26 March 2021

SBW Announces US\$5M Investment To Continue Strong Investment in Growth

Highlights

- **Kvutzat Yavne will provide US\$5,000,000 capital raise secured via the issue of Convertible Notes to provide working capital and strengthen Shekel Brainweigh's balance sheet**
- **Funds will secure continued commercialisation of SBW's innovative technology solutions for autonomous retail including the Autonomous Store, Smart Vending Machines, and Fast Track for Self Checkout**

Global weighing technology firm **Shekel Brainweigh Limited** (ASX: **SBW**) is pleased to advise that it has secured US\$5 million in funding from Kvutzat Yavne, Hapoel Hamizrahi Group for Cooperative Settlement Ltd (**Investor**) by way of the issue of convertible notes. On 25 March 2021, the Company entered into the convertible note agreement with the Investor which set out the terms on which the convertible notes (the **Notes**) would be issued to the Investor (the **Convertible Note Agreement**). The issue of the Notes (and the subsequent conversion of the Notes into ordinary shares of the Company) is conditional on shareholders approving the issue of the Notes to the Investor. The material terms of the Notes are set out in Schedule 1.

SBW is committed to strengthen its balance sheet through capital raising to provide the capability to invest in commercializing its innovative retail solutions . Following a raise of AU\$ 2.1M by way of placement in January 2021, a second raise of this US\$ 5M will further allow the company to execute on aggressive growth plan for 2021 based on existing opportunities.

Yavneh Group is an Israeli cooperative established in 1931 and has about 400 members. Yavneh Group owns a variety of businesses and are highly respected investors.

Chairman and Chief Executive Officer Mr Arik Schor said:

"When I joined this company in July 2020, my three priorities were: fixing the capital structure to support our growth plans; getting the core division, Shekel Scales, back on track of strong growth; and delivering our promises on the Retail Innovation division. This current Capital raising is meant to support these 3 priorities in the immediate term and through 2021."

Authorised for release by the Board.

ENDS

For further information, please contact:

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About Shekel Brainweigh (the Company)

Shekel Brainweigh has for over 40 years been a global leader in developing scale and weighing technology. The company provides weighing solutions to the highly regulated retail and healthcare markets via global giants such as G.E Healthcare, Toshiba, Fujitsu, Diebold Nixdorf and others.

Utilising its experience in weighing technology, Shekel Brainweigh is developing a suite of new products aimed at meeting the challenges that traditional retailers face today, such as store automation, operational efficiency including overstock and understock inventory issues and enhancing the consumer experience.

Shekel's patented combination of weighing technology with Artificial Intelligence (AI) and Internet of Things (IoT) technology has led to the development of its "Product Aware Technology". Shekel Brainweigh is committed to continuing to innovate and expand into global markets. For more information, visit www.shekelbrainweigh.com

Schedule 1 – material terms of Notes

Set out below are the material terms on which the Notes will be issued to the Investor.

	Term	Description
1.	Class of security to be issued	The Notes will be convertible into new fully paid ordinary shares in the Company (Shares) as, and otherwise having the terms, set out below.
2.	Status	<p>The Notes will be unsecured obligations of the Company and will rank equally in all respects with all other unsecured indebtedness of the Company and senior to all subordinated indebtedness as at their date of issue (Issue Date).</p> <p>Shares issued on conversion of a Note will be fully paid and will rank pari passu in all respects with the Shares on issue in the Company as at the date of conversion.</p>
3.	Number of Notes to be issued	5,000,000
4.	Face Value	Each Note will have an issue price of US\$1.00 and a face value of US\$1.00.
5.	Maturity Date	Four years after the Issue Date.
6.	Interest rate	7% per annum payable quarterly.
7.	Repayment	<p>Bullet repayment of principal on the Maturity Date (unless the Notes are converted or redeemed earlier in accordance with the terms of the Convertible Note Agreement). See items 8 and 9 below for further information.</p> <p>Interest owing by the Company on the Notes will be required to be paid to the Investor on quarterly basis.</p>
8.	Redemption / early repayment	<p>The Company will have a right to repay the Face Value of the Notes together with unpaid interest which has accrued on the Notes (Redemption Amount) in circumstances where the existence of the Notes prevents the Company from raising at least US\$500,000 of equity or debt financing, provided that such redemption does not prejudice the Investor's rights to convert the Notes (as set out in Item 9 below).</p> <p>In the event the Company chooses to redeem the Notes, the Investor will be provided with a right to request that the Company grant the Investor an option equal in value to the Face Value of the Notes and which, on exercise, will entitle the Investor to be issued Shares in the Company (Option). The Option shall be exercisable from the date of its issue until the Maturity Date, at a price per Share equal to the Conversion Ratio (see item 10 below).</p> <p>The Investor may call for repayment of the Redemption Amount where an Event of Default occurs (see item 11 below).</p>
9.	Conversion by Note holder	<p>The Investor will have the right to convert all (and not some only) of the Notes into Shares based on the Conversion Ratio (defined in item 10 below) (Conversion) on and from:</p> <ul style="list-style-type: none"> ▪ the date which is two years after the Issue Date; or ▪ in the period between the Issue Date and the date which is two years after the Issue Date, the date on which any of the following transactions are completed (i) a transaction involving the sale of all or substantially all of the Company's shares or assets; (ii) the Company undertaking a

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		<p>fundraising in conjunction with which the Company's shareholders may sell at least 5% of the Company's then issued share capital; (iii) the distribution of a dividend by the Company to shareholders using the proceeds received by the Company from sale of the Company's retail innovation division; (iv) the delisting of the Company's shares from ASX.</p> <p>The Investor will not, however, be entitled to effect a Conversion in any:</p> <ul style="list-style-type: none"> ▪ 60 day period before release by the Company of its annual results to ASX; or ▪ 30 day period before release by the Company of its half year results to ASX.
10.	Conversion ratio and price	<p>Conversion of the Notes obliges the Company to issue to its holder a number of Shares to be calculated in accordance with the following formula:</p> $\frac{FV}{SP}$ <p>where:</p> <p>FV = Face Value;</p> <p>SP = 75% of the volume weighted average price of the Company's shares as traded on ASX during the last 25 trading days preceding the conversion of the Notes or the closing of the event giving the Investor the right to convert the Notes.</p> <p>(Conversion Ratio)</p>
11.	Events of default	<p>An Event of Default will occur where:</p> <ol style="list-style-type: none"> a) The Company fails to timely repay the face value of the Notes, the interest accrued thereon or any other amount payable to the Investor in accordance with the Convertible Loan Agreement; b) A loan, credit or debt in an amount exceeding 1 million NIS (A\$~390,000, provided to the Company by a third party, is called for immediate repayment; c) The standing order, given by the Company for the purposes of repayment of interest, is terminated; d) The Company or any of its subsidiaries violates the negative pledge provision (as set forth in Item 12 below); e) Any of the Company's representations and warranties in the Convertible Loan Agreement is incorrect and adversely effects the Company or any of its subsidiaries in aggregate amount of NIS 250,000 (A\$ ~98,000); f) Any proceeding, plan or other action for the bankruptcy, rearrangement, reorganization, insolvency, dissolution or liquidation of the Company or any of its subsidiaries is filed or commenced, and not terminated within 45 days; g) The Company or any of its subsidiaries stops payments to its creditors; h) The Company or any of its subsidiaries is subject to foreclosure or execution proceedings due to a debt exceeding NIS 750,000 (A\$

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		<p>~295,000) and such proceedings are not terminated within 45 days;</p> <ul style="list-style-type: none"> i) The Company or any of its subsidiaries stops its business activities; j) The Company does not approve and file its financial statements within the legally required periods; k) The Company's or any of its subsidiaries financial statements include a 'going concern' note, which is not removed within the next 6 months; l) A legal claim in an amount exceeding US\$ 750,000 is filed against the Company or any of its subsidiaries; m) The Company's subsidiary, Shekel Scales (2008) Ltd. is in non-compliance with any of the financial covenants imposed by its financiers; n) Breach of the Convertible Note Agreement, which is not cured within 21 days following the date on which the Company received the Investor's written notice on same.
12.	Negative covenants	<p>As long as the Notes are outstanding, the Company (and each of its subsidiaries / related bodies corporate) must not take certain customary actions without the Investor's prior written consent, including:</p> <ul style="list-style-type: none"> ▪ incur any indebtedness or create any encumbrances over any of its assets other than those arising from refinance activities or from purchase money security interest (PMSI); ▪ effect change in the Company's issued share capital resulting in change in control of the Company or any change in the issued share capital of any subsidiary of the Company (subject to certain exceptions); ▪ effect any related party transaction; ▪ effect any structural change, other than spin off of the Company's Retail Innovation Division; or ▪ change the nature of the business activities carried on by the Company or its subsidiaries. <p>In addition, as long as the Notes are outstanding (i) the Company shall continue preparing its half annual and annual financial statements in accordance with IFRS, also in the event its securities are delisted from ASX; and (ii) shall comply with the financial covenants imposed by its financiers, and, to the extent such covenants are amended by the financiers, shall submit such amended covenants for the Investor's prior approval.</p>
13.	Board nomination rights	<p>As long as the Notes are outstanding, the Investor will have the right (i) to nominate at least one non-executive director for appointment to the board of the Company and (ii) to appoint an observer to attend Board meetings of the Company and any of its subsidiaries.</p>
14.	Quotation	<p>The Notes will not be listed.</p> <p>Any Shares issued on Conversion will be quoted on ASX.</p>
15.	Voting rights	<p>The Notes will not carry any voting rights.</p>

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16.	Warranties and indemnities	Following conversion to Shares, the Company shall indemnify the Investor for the damages actually incurred by the Investor and resulting from (i) breach of any representation contained in the Convertible Note Agreement and not known to the Investor prior to the conversion of Notes; (ii) any claim against, or any debt of, the Company or any subsidiary originating from the activities preceding the date of the Convertible Loan Agreement, not disclosed to the Investor. The aforesaid warranties shall be limited for 24 months following the conversion; the indemnification amount shall not exceed the amount of Notes actually converted and shall be subject to de minimis threshold of damages of NIS 350,000 (A\$ ~135,000).
17.	Restrictions on transfer	Any transfer of Notes or assignment by a party of rights and/or obligations under the Convertible Loan Agreement, shall be subject prior written approval of the other party.