

Contact

Azonto Petroleum Ltd
Suite 5, 531 Hay Street
Subiaco WA 6008
Australia

T: +61 (0) 8 9380 8333
E: IR@azpetro.com

MARCH 2016

Azonto Quarterly Activities Report

Recent Highlights

1. The Company continues to work to liquidate subsidiary companies and to sell the residual equipment stored in Abidjan, Ivory Coast.
 2. In April 2016, the Company announced that it has executed a binding term sheet to acquire Clipfort LTD BV (Clipfort) which owns intellectual property relating to the GoSafe ID Mag, fingerprint-activated gun magazine, designed to provide responsible gun owners with a better solution for safe transport, storage and use of their firearms.
 3. Cash balance as at 31 March 2016 A\$6.9 million equivalent principally held in US dollars, with minimal payables. (A\$ balance reduced due to strength of AUD)
-

ASX

APY

In April 2016 the Company announced that it had executed a binding term sheet, subject to conditions precedent, to acquire Clipfort which owns intellectual property (directly and under license) relating to the GoSafe ID Mag, fingerprint-activated gun magazine, designed to provide responsible gun owners with better solution for the safe transport, storage and use of their firearms.

The consideration for the acquisition will be a combination of fully paid ordinary shares in Azonto and performance shares, to be issued pro rata to the shareholders of Clipfort. The performance shares will convert into ordinary shares on a 1 to 1 basis on the achievement of 4 applicable performance milestones.

The number of consideration shares and performance shares to be issued will be determined based on the VWAP for Azonto shares during the 10 trading days prior to the date of the Azonto shareholder meeting to approve the acquisition (subject to a floor of \$0.015 and a ceiling of \$0.02 per share).

As set out in the below capital structure table the number of consideration securities to be issued at the floor of \$0.015 and the cap of \$0.02

	Floor price \$0.015	Cap price \$0.02
Ordinary shares	1,873,083,333	1,404,812,500
Performance shares (to be issued in 4 equal tranches)	443,333,332	332,500,000

Azonto is proposing to conduct a capital raising at a minimum of \$0.02 per share for an amount to be determined which will be sufficient to satisfy ASX admission requirements and the operational needs of GoSafe. The amount of the Capital Raising will be determined by Azonto in consultation with Clipfort, the Clipfort vendors and Azonto's financial advisors prior to dispatch of the Notice of meeting for the Acquisition.

Azonto has agreed to provide a bridging loan of US\$1.9 million to Clipfort to be advanced in the following tranches:

1. US\$500,000 to be advanced upon Azonto confirming that it is satisfied with its due diligence on vendors and Clipfort including its intellectual property and Clipfort having obtained all necessary approvals and consents of the securityholders of Clipfort's major shareholder as are required for the acquisition (including the waiver of any rights such securityholders may have under constitution of Clipfort's major shareholder or any applicable shareholders agreement (or other applicable arrangement) in relation to the acquisition);
2. US\$1,000,000 to be advanced on completion of each of the following:
 - execution of a formal agreement to replace the binding term sheet in relation to the acquisition; and
 - all Clipfort shareholders entering into binding sale agreements to sell their Clipfort shares to Azonto; and
 - execution of a formal IP license between Clipfort and its major shareholder; and
3. US\$400,000 to be advanced on receipt of Azonto shareholder approval for the transaction.

The loan will be converted or repaid (at Azonto's election) if the acquisition does not proceed to completion.

On completion of the Acquisition, the Azonto Board will be restructured so that it is comprised of:

- Mr Daniel Biran (CEO of Clipfort);
- two Australian resident directors;
- one independent director to be agreed by Azonto and the majority shareholder of Clipfort; and
- up to three other directors to be nominated by the majority shareholder of Clipfort.

On 29 April 2016 the Company announced that it has agreed, subject to any regulatory approvals and consents, and subject to shareholder approval, to

exchange the outstanding performance rights held by a director, former directors and senior management into ordinary shares of the Company, or make a cash payment.

The agreement involves the exchange of performance rights for ordinary shares or cash in the ratio of 4 performance rights for 1 ordinary share or A\$0.013 cash for every 4 performance rights.

The arrangements will result in a total of 18,043,362 ordinary shares being issued and a cash payment of A\$221,475 in exchange for cancellation of 140,319,489 performance rights. The conversion into ordinary shares and the cash payment will be subject to shareholder approval.

The performance rights arose as the previous board determined that all departing directors, officers and employees were classified as “good leavers”, which provided that upon achievement of targets, the performance rights vested despite no longer being associated with the Company resulting a total of 140,569,489 million performance rights potentially vesting. Subject to approvals, a balance of 250,000 performance rights will remain on issue. Full details of the performance targets are contained in the 2015 Financial Statements.

The directors believe this arrangement is in the best interest of the Company, as the agreement with Clipfort included an anti-dilution provision such that if the performance rights did vest, then Clipfort’s equity holding would have to be adjusted to reflect the additional shares on issue. Accordingly, there will be a small adjustment to the share consideration issued to Clipfort such that the vendors’ percentage shareholding does not reduce as a result of the issue of shares in exchange for the cancellation of the performance rights.

The Company has continued over the past few months to tidy up legacy issues relating to the disposal of the companies oil and gas activities in West Africa. These activities have involved:

- The liquidation of Azonto Petroleum (Ghana) Limited and other subsidiaries.

- Continuation towards the liquidation of Azonto Petroleum (UK) Limited.
- The early completion of Azonto Petroleum Limited December 2015 year-end audit.
- Continued progress towards the removal of Azonto Petroleum Limited from UK tax reporting requirements.

The Company is still negotiating the sale of residual oil field equipment held in Abidjan. It is hoped that this sale will be completed in the near future. Sale proceeds will not materially impact cash balances of the Company.

At 31 March 2016 the Company had A\$6.9 million, of which was comprised of US\$4.4 million (A\$5.7 million equivalent) and the balance in AUD, GBP and EUR.

Financial

Equity Issues

There were no equity issues in the quarter.

Capital Structure at 31 March 2016

	Number
Shares	1,159,375,100
Performance rights	140,569,489

Cash

Cash on hand at 31 March 2016 was A\$6.920 million (unaudited).