

6 June 2018

Proposed convertible note transaction

Benjamin Hornigold Ltd (ASX: BHD) (**Benjamin Hornigold** or **Company**) advises that the Board has approved in-principle terms with JB Trading House Pty Ltd (**JB Trading House**) for the issue of a \$13.5 million convertible note in consideration for an exclusive trading arrangement with JB Trading House subsidiaries (**Proposed Transaction**). JB Trading House is a wholly owned subsidiary of JB Financial Group Pty Ltd (**JB Financial**), and is also the parent company of JB Markets Pty Ltd, JB Alpha Ltd and Genesis Proprietary Trading Pty Ltd. Further information regarding JB Trading House is set out on page three of this announcement.

The Board of Benjamin Hornigold (**Board**) has established a committee of independent directors (**Committee**) to consider the Proposed Transaction. The Committee has appointed Hanrick Curran Corporate Finance Pty Ltd (**Hanrick Curran**) as independent expert to prepare an independent expert's report (**IER**) in respect of the Proposed Transaction. The IER will form part of meeting materials to be sent to shareholders seeking consideration and if thought fit, approval for the transaction.

The key terms are summarised below.

Key terms

<p>1. Proposed Transaction</p>	<p>In consideration for Benjamin Hornigold committing to trade exclusively through JB Trading House subsidiaries for a set period of time, JB Trading House will provide the consideration set out in item 2 below.</p> <p>Under this arrangement:</p> <ul style="list-style-type: none"> (i) there will be no minimum or maximum trading requirements on the part of Benjamin Hornigold; (ii) Benjamin Hornigold will be charged broking fees which are equal to or more competitive than market rates; and (iii) minimum service levels regarding priority service and execution expectations will be specified.
<p>2. Consideration</p>	<p>The consideration for the exclusive trading arrangement described above comprises the following:</p> <ul style="list-style-type: none"> (i) The issue of a convertible note (Convertible Note) in respect of which JB Trading House will pay Benjamin Hornigold 4.1% per annum coupon on the amount of A\$13.5 million, secured over JB Trading House; and (ii) the Company will have the right to elect to either: <ul style="list-style-type: none"> A. After four (4) years, be paid A\$13.5 million by JB Trading House, which shall then be paid in 12 equal monthly instalments from that date; or B. At any time within four (4) years, convert all or part of the Convertible Note into stock in JB Trading House at a price which represents a 40% discount to the premoney valuation of JB

	Trading House (to be established either by IPO pricing, trade sale price, other liquidity event or independent valuation if such valuation cannot be agreed).
3. Conditions precedent	<p>The proposed transaction is conditional upon:</p> <ul style="list-style-type: none"> a) negotiation and execution of all documentation satisfactory to Benjamin Hornigold and JB Trading House with any amendments required to achieve optimal commercial, accounting and taxation outcomes; and b) The parties obtaining all relevant regulatory approvals and the consent of shareholders in accordance with all applicable regulatory requirements, including the requirements of the ASX Listing Rules, and the applicable provisions of the Corporations Act 2001.

In relation to the Convertible Note, the Company cannot currently reasonably advise whether it will, in the future, elect to receive payment under the Convertible Note by way of cash or whether it will decide to convert the Convertible Note wholly or in part into shares in JB Trading House. Benjamin Hornigold has complete discretion regarding the decision to convert all or a portion of the Convertible Note into shares in JB Trading House, and the Board will take into consideration all relevant factors at the time this decision is made.

In considering the terms of the Proposed Transaction, the Committee has taken into account the commercial and financial impact of the proposed terms, the underlying assets of JB Trading House, and management's capability to implement their business plans. The Committee will work with external advisors to ensure that the final terms of the Proposed Transaction will be reasonably likely to ensure that the relevant parties have the financial and other capacity to perform their obligations under the Proposed Transaction. The Company has engaged legal advisors to advise on the application of the ASX Listing Rules and Corporations Act, and to assist with preparing the meeting materials in accordance with all relevant regulatory requirements.

The transaction documents will be drafted taking into consideration the outcome of commercial, legal, accounting and taxation advice. Full details will be set out in the Notice of Meeting and IER to be sent to shareholders of Benjamin Hornigold for consideration.

Further details will be provided as they become available.

ENDS

Kevin Mischewski
Company Secretary
Benjamin Hornigold Ltd
cosec@benjaminhornigold.com.au

JB Trading House

JB Trading House was incorporated on 1 May 2018. The sole shareholder is JB Financial. The sole director is Mr Michael Martin. JB Trading House has issued capital of 10 fully paid ordinary shares of \$1.00 each. JB Trading House's assets include a 100% equity interest in JB Markets Pty Ltd (**JBM**), Genesis Proprietary Trading Pty Ltd (**Genesis**), HPH Holdings Pty Ltd and JB Alpha Pty Ltd (via HPH Holdings Pty Ltd) (**JB Alpha**).

JB Trading House acquired its 100% interest in JBM, Genesis and JB Alpha from JB Financial. The JB Financial Annual Report for the financial year ended 30 June 2017 that was provided to the Company and announced to the ASX on 23 February 2018¹ included details of the assets, operations and activities of these entities².

As indicated earlier in this announcement, Benjamin Hornigold has engaged Hanrick Curran to complete an Independent Expert Report in relation to the Proposed Transaction. This report will include the Independent Expert's detailed consideration and assessment of the financial standing, assets, operations and activities of JB Trading House as at the date of their report in the context of the overall transaction that is proposed to be undertaken and considered by Benjamin Hornigold shareholders for their approval in a general meeting of the Company.

¹ 23 February 2018 Response to ASX Query Letter

² JB Financial Annual Report for the financial year ended 30 June 2017, Notes to the Consolidated Financial Statement for the Period Ending 30 June 2017, Notes E2 and F5