



15 January 2020

Dear Shareholder

LawFinance Limited (ASX:LAW)

Notification to Eligible Shareholders of the Entitlement Offer

On 14 January 2020, LawFinance Limited ACN 088 749 008 (**ASX:LAW**) (**Company**) announced a partially underwritten 1 for 1 (1 new share for every existing share) non-renounceable pro rata entitlement offer pursuant to which the Company will raise up to A\$35,952,670 (before costs and expenses) (**Entitlement Offer**).

The Entitlement Offer is being made without a prospectus in accordance with section 708AA of the *Corporations Act 2001* (Cth) (as modified by *ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84*).

Under the terms of the Entitlement Offer, only shareholders of the Company with a registered address in Australia or New Zealand on or before 7.00 pm (AEST) on Friday, 17 January 2020 (**Record Date**) will be invited to participate in the Entitlement Offer (**Eligible Shareholders**). Eligible Shareholders will be invited to subscribe for one (1) new fully paid ordinary share in the Company (**Share**) for every one (1) Share held by the shareholder at an issue price of A\$0.064 per Share (**Entitlement**).

The Company will lodge an offer booklet for the Entitlement Offer (**Offer Booklet**) with ASX on or around 20 January 2020. It is anticipated that the Offer Booklet and the accompanying personalised Entitlement and Acceptance Form will be mailed to Eligible Shareholders on or around 20 January 2020. The Offer Booklet may be viewed on the ASX's website at www.asx.com.au (by searching for the Company's ASX ticker code, LAW).

Further details of the Entitlement Offer

The Entitlement Offer forms part of a series of transactions to enhance the Company's balance sheet, reduce costs and to fund the growth in its U.S. medical lien funding business, National Health Finance (**NHF**).

As announced on 24 December 2019, the Company undertook a A\$5 million equity placement with existing and new sophisticated investors at an issue price of A\$0.064 (**Placement**). Pursuant to the Placement, 78,125,000 new fully paid ordinary shares were issued by the Company on 2 January 2020. Funds raised by the Placement will be used for working capital purposes.

In addition to the Entitlement Offer and Placement, the Company announced on 24 December 2019 that it would undertake, subject to obtaining shareholder approval, the following transactions to convert debt into debt and equity instruments:

- US\$3.4 million— existing convertible bonds – to be converted to equity at A\$0.064 per share;

- US\$17.3 million– existing subordinated debt – convert to a new capitalising converting note with a A\$0.10 per share conversion option and a 6% capitalised coupon; a
- US\$22.1 million– existing NHF Vendor loans converting to options as follows:

No of Options	Exercise Price	Expiry Date
24,000,000	A\$0.25	28 September 2021
22,500,000	A\$0.40	28 September 2022
25,000,000	A\$0.60	28 September 2023

Any outstanding interest on the above facilities will be converted on the same terms.

The Entitlement Offer will be partially underwritten for A\$20 million by Lucerne Australia Pty Ltd (**Underwriter**). The Underwriter has appointed sub-underwriters such that its relevant interest will not trigger the provisions of Chapter 6 of the Corporations Act. Therefore, pursuant to the agreements in place and structure of the Offer, the Company is of the view that no Eligible Shareholder, Underwriter or sub-underwriter will individually obtain or exceed voting power of more than 19.9% as a result of the Entitlement Offer.

The proceeds from the Entitlement Offer will be used by the Company for the following purposes:

- reduce existing debt of at least A\$12.5 million;
- provide capital for new funding; and
- pay the costs of the Entitlement Offer.

The Entitlement Offer will reduce the Company's debt and improve its balance sheet.

As a result of the Entitlement Offer, the number of Shares in the Company is projected to increase from 561,760,467 Shares up to approximately 1,123,520,934 Shares (subject to rounding and assuming the full amount is raised). The Shares issued under the Entitlement Offer will be fully paid and will rank equally with the Company's other fully paid ordinary shares on issue. The Company has made an application to the ASX for official quotation of the maximum number of Shares that could be issued under the Entitlement Offer (i.e. up to approximately 561,760,467 Shares).

Eligible Shareholders can choose to take up all, part or none of their Entitlement. As the Entitlement Offer is non-renounceable, this means that Eligible Shareholders who do not take up their Entitlement to participate in the Entitlement Offer will not be able to transfer or receive any value for those Entitlements, and their equity interest in the Company will be diluted.

The Entitlement Offer will include a shortfall facility under which Eligible Shareholders who take up their full Entitlement will be invited to apply for additional Shares in the Entitlement Offer from a pool of those Entitlements not taken up by other Shareholders (**Shortfall Facility**). There is no guarantee that applicants under this Shortfall Facility will receive all or any of the additional Shares applied for under the Shortfall Facility, and sole discretion with respect to allocation remains with the Board.

If shortfall exists, it is anticipated that the Shares under the Shortfall Facility will be allocated as follows:

- Eligible Shareholders who have applied for additional Shares through the Shortfall Facility will receive the additional Shares they have applied for unless there is an oversubscription for

additional Shares through the Shortfall Facility, in which case Eligible Shareholders will receive additional Shares on a pro rata basis having regard to their holdings as at the Record Date;

- (b) if any shortfall remains after the allocation to the Eligible Shareholders as provided above, up to A\$20 million of the resulting shortfall will be acquired by the Underwriter and sub-underwriters, subject to the terms and conditions of the underwriting agreement;
- (c) if any shortfall remains, the resulting shortfall may be allotted at the discretion of the Board within 3 months of the Closing Date pursuant to ASX Listing Rule 7.2 (exception 3). In exercising this discretion, the Board will take into consideration a number of factors including the possible dilution to existing shareholders, the financial needs of the Company, the issue price (which will be no less than A\$0.064) and the proposed use of funds.

Eligible Shareholders wishing to participate in the Entitlement Offer should carefully read the Offer Booklet and accompanying personalised Entitlement and Acceptance Form which are expected to be dispatched on or around 20 January 2020.

Key Dates of the Entitlement Offer

Event	Date*
Announcement of Entitlement Offer	14 January 2020
Ex-date for Entitlement Offer	16 January 2020
Record Date	7.00 pm (AEDT), 17 January 2020
Entitlement Offer opens Dispatch of Booklet and Entitlement and Acceptance Form	20 January 2020
Entitlement Offer closes (Closing Date)	5.00 pm (AEDT), 14 February 2020
Shares quoted on a deferred settlement basis	17 February 2020
Announcement of results of the Entitlement Offer	19 February 2020
Issue and allotment of Offer Shares under the Entitlement Offer	21 February 2020
Dispatch of holding statements	21 February 2020
Commencement of trading of new Offer Shares	24 February 2020

****The above timetable is indicative only and subject to change. The quotation of Shares is subject to ASX approval. Subject to the ASX Listing Rules and the Corporations Act and other applicable laws, the Company reserves the right to vary these dates, including the Closing Date, without notice, including extending the period of the Entitlement Offer or accepting late applications, either generally or in particular cases or bringing forward the Closing Date at its discretion. Any extension of the Entitlement Offer will have a consequential effect on the issue date of the Shares. All dates and times in the timetable above are in Sydney, Australia time.***

Yours faithfully



Diane Jones
Chief Executive Officer