

Conditional funding transaction and CCN extension

LawFinance Limited ("LAW") is pleased to announce today that it has reached agreement with Lucerne LCF Pty Ltd ("Funder") to provide an initial US\$250,000 ("Initial Funding"), and subject to a number of conditions a further US\$3.05 million ("Remaining Funding"), of funding to certain of LAW's US subsidiaries ("Funding Transaction"). The Funder has entered into a conditional back-to-back agreement with Kenanga Investment Berhad ("Kenanga"), a Malaysian investment house, in order to provide it with sufficient funds to satisfy its obligations to fund the Remaining Funding under the agreement. LAW understands that a payment to the Funder equal to the Initial Funding has been made but that the Funder is fully reliant on receiving the investment funds from Kenanga to have sufficient funds to satisfy its obligations to provide the Remaining Funding under the Funding Transaction agreement. The agreement between the Funder and Kenanga with respect to the Remaining Funding is highly conditional and the Funder may not have any ability to require Kenanga to provide the Remaining Funding to the Funder.

The advance of the Remaining Funding to LAW is subject to a number of conditions, some of which are outside the control of LAW and there is no guarantee that those conditions will be satisfied or that any of this further funding will be obtained. If the conditions are not satisfied and the Funding Transaction does not proceed, LAW may no longer be able to continue as a going concern.

The intended purpose of the funding is:

- i) US\$1.7 million to fund operations of the LAW group;
- ii) US\$1.3 million to reduce debt outstanding to Partners For Growth VI, LP ("PFG"); and
- iii) US\$0.3 million to pay a commitment fee to the Funder conditional on advance of Tranche 2 described below.

Key terms of the funding are:

- The Funding Transaction will be made by the Funder via a participation in loans made pursuant to the Loan and Security Agreement between (among others) NHF SPV IV, LLC, National Health Finance DM, LLC (together the "Borrowers") and PFG dated 14 April 2021 (as amended from time to time) ("PFG Loan Agreement").
- The Funding Transaction comprises of two tranches:
 - Tranche 1 is equal to US\$750,000 to be made over three equal instalments payable at 31 March, 25 April and 25 May 2023, with the second and third instalments conditional on:
 - (a) PFG's agreement to the funding arrangement; and

- (b) confirmation from the Borrowers that PFG has agreed to any required covenant variation or waiver necessary for compliance with the facility terms at that time.
- Tranche 2 is equal to US\$2,550,000 to be made as a single advance by no later than 30 June 2023, with such advance being conditional on:
 - (a) LAW obtaining approval from:
 - i. the “Lenders” as defined in the “Secured Term Syndicated Facility Agreement – A\$23,925,080” between (among others) EQT Australia Pty Ltd (as “Agent”) and LAW dated 27 September 2018 (as amended from time to time) (the “SAF Facility Agreement”); and
 - ii. its shareholders as required,for the restructure of existing group debt and convertible arrangements on the terms set out below (“LAW Restructure”):
 - i. all indebtedness outstanding under the SAF Facility Agreement is to be converted into ordinary shares in LAW;
 - ii. the transfer of the shares in NHF SPV III, LLC to or as directed by the “Agent” under the syndicated facility agreement dated 4 December 2020 (as amended from time to time) between, among others LAW, NHF SPV III, LLC and EFI Cayman SPC for and on behalf of NHF SPV III Segregated Portfolio (“EFI Facility Agreement”) and the full release of LAW from all its obligations under the EFI Facility Agreement and relevant finance documentation;
 - iii. the Funder (or its nominee) to receive approximately 3% of the re-organised shares in LAW (immediately following the LAW Restructure);
 - iv. the terms of the existing Capitalising Convertible Note Deed Poll dated 5 June 2020 (“CCN”) is restructured so that (i) the “Maturity Date” is extended to “30 June 2025”; the interest rate is amended to 8% per annum; and the terms are amended such that on conversion at the “Maturity Date” under the CCN the existing “Noteholders” under the CCN (“Noteholders”) are entitled to receive approximately 15% of the re-organised shares in LAW (immediately following the LAW Restructure);
 - (b) the legal agreements necessary to give effect to the LAW Restructure are entered into by the relevant parties and the LAW Restructure becomes effective; and
 - (c) the terms of the PFG Loan Agreement are amended on terms acceptable to the Borrowers and to PFG, including certain amendments to the proceeds waterfall and a reset of the financial covenants and undertakings in line with expected performance of the receivables owned by the Borrowers.

Pending resolution and approval of the LAW Restructure as noted above, the Noteholders and the Board have agreed to further postpone the maturity date under the CCN by three months to 30 June 2023. This extension is to allow time to complete documentation required as part of the restructure of the CCN and obtain the necessary approvals for the LAW Restructure, including from creditors and shareholders.

The existing CCNs would have converted on 31 March 2023 to 2,045,531 million shares based on an outstanding principal of A\$20.5 million and a conversion price of \$10 per LAW share. CCN holders have agreed to an extension of the maturity date and that no interest will be capitalised in the period from 1 January 2023 to 30 June 2023.



LAW will update the market in respect of the conditions of this transaction and the LAW Restructure in due course.

Authorised by:

The Board of Directors

For investor enquiries:

Phil Smith

LawFinance Limited

Tel: +61 2 9696 0220

Email: phil.smith@lawfinance.com.au