



12 October 2022

ASX RELEASE

PROPOSED STAYCO ACQUISITION AND CAPITAL RAISING

Finexia Financial Group Limited (ASX: FNX) (**Company**) advises that it intends to reconstruct its issued equity capital through the consolidation of the current shares on issue on a 1:5 basis. In conjunction with this reconstruction of capital, the Company wishes to advise that it will undertake a placement of up to 23,037,980 fully paid ordinary shares (on a pre-consolidated basis) to sophisticated and professional investors to raise up to A\$1,151,899 (**Placement**) as well as undertake a pro rata non-renounceable rights issue to existing shareholders to raise A\$4,863,213 (**Rights Issue**).

Furthermore, the Company intends to raise a further A\$10m through the issuance of a redeemable convertible notes to sophisticated and wholesale investors (**Convertible Notes Issue**).

Hereafter, the Placement, the Rights Issue and the Convertible Notes Issue are together referred to as the **Capital Raising**.

USE OF FUNDS

The combined proceeds of the proposed Capital Raising will be utilised for the following key strategic priorities:

- The Company is proposing to acquire that part of the Finexia Direct Accommodation Income Fund (**Stayco**) which it does not already have an investment in, from the existing Stayco investors, being the current 19 unitholders in Stayco (the **Stayco Investors**). The Company confirms that none of the Stayco Investors are related parties, key management personnel, substantial holders, advisors or associates of the Company. Subject to the completion of this acquisition the Company does not intend to make any further acquisitions into the Finexia Direct Accommodation Income Fund and intends to focus on its other funds.
- Stayco, the domestic tourism accommodation Fund will become one of the Company's strategic proprietary investments. The open-ended fund was established in September 2021 to take advantage of an opportunity to invest in a high-quality portfolio of holiday and long-term accommodation businesses. The properties currently within the portfolio are primarily located in the hugely popular coastal Southeast Queensland region. The strategic blend of accommodations (holiday letting and long-term tenancies) has afforded the fund the ability to diversify the income sufficiently to ensure the overall performance is not entirely hinged on one segment of the accommodation market.
- Of the 13,824,610 units on issue in Stayco, the Company currently owns 6,334,310 units. Under the proposed acquisition, the Company is proposing to acquire the balance of the existing units within Stayco (being 7,490,300 units), and therefore assume full ownership. Further details regarding Stayco are set out in the Company's announcement dated 24 December 2021 titled 'Finexia Funds Management Achieves Milestone.'
- The Company is also proposing to acquire a portfolio of complementary holiday accommodation assets from Mr Paul Picone and intends to integrate these assets into a new wholesale fund of which Finexia will be the sole unitholder, becoming part of the existing Stayco brand and business.

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The assets comprise four high quality accommodation assets located in the tourist hotspots of Broadbeach and Surfers Paradise in South-East Queensland's Gold Coast. The accommodations are situated in close proximity to the existing Stayco assets. Mr Paul Picone, the vendor, is an experienced holiday and resort accommodations operator who will be contracted to remain as the manager of the assets for a minimum of 2-years post-settlement to oversee the operational aspects of Finexia's Stayco investment. Further details of the acquisitions set out in this point (and above) are set out later in this announcement (refer Section titled 'Acquisition Details'). The Company notes that Mr Picone is not a related party of the Company.

- The Company continues to expand its asset and fund management presence with the recent launch of its retail managed investment scheme known as Finexia Securities Opportunities Fund (ARSN 658 543 625). The Fund is focused on two key thematic, childcare operations and Inland Rail infrastructure. The Company will announce further details of the proposed operations of the Finexia Securities Opportunities Fund to the market as and when this information is known.
- Working Capital to fund expansion of the Company's Private Credit loan book and execute a planned Group wide client acquisition program.

RECONSTRUCTION OF CAPITAL

The Company currently has 162,107,105 fully paid ordinary shares on issue (on a pre-consolidated basis). It is proposed to reduce the number of shares on issue to 32,421,421 through the consolidation of one new share for every five existing shares (1:5 consolidation).

The effect which the reconstruction will have on the Company's capital structure is set out in the table below.

	Shares	Convertible Notes
Pre-consolidation	162,107,105	-
Post consolidation	32,421,421	-
Placement (on a post consolidated basis)	4,607,596	-
Rights Issue (on a post consolidated basis)	16,210,711	-
Convertible Notes Issue (on a post consolidated basis)	-	400
Completion of Capital Raising	53,239,728	400

Where this reconstruction results in a fraction of a security being held, the Company will round fractional entitlements of 0.5 and over up to the nearest whole number.

The timetable for the proposed reconstruction is set out below.

Action	Date
Company announces consolidation.	12 October 2022
Company sends out the Notice of Meeting	15 October 2022
FNX Shareholders approve the consolidation.	18 November 2022
Company announces Effective Date of consolidation.	18 November 2022
Effective Date of consolidation	21 November 2022
Last day for pre-consolidation trading.	23 November 2022
Post-consolidation trading commences on a deferred settlement basis.	24 November 2022
Record Date.	25 November 2022
First day for the Company to update its register and send holding statements to security holders reflecting the change in the number of Securities they hold.	28 November 2022
Last day for the Company to update its register and to send holding statements to security holders reflecting the change in the number of Securities they hold and to notify ASX that this has occurred.	30 November 2022

The reconstruction is subject to shareholder approval at the Company's Annual General Meeting in November 2022.

PLACEMENT TERMS

The Company is proposing to undertake a Placement of 23,037,980 fully paid ordinary shares (on a pre-consolidated basis) to sophisticated and professional investors to raise up to \$1,151,899 to fund the acquisition of that part of Stayco which it does not already have an investment in.

The shares issued under the Placement are proposed to be issued at an issue price of \$0.05 per share. The Company will apply to ASX for Official Quotation of the 23,037,980 fully paid ordinary shares subject of the Placement.

Should the Company receive shareholder approval for the reconstruction of its capital, the Company will issue 4,607,596 fully paid ordinary shares (on a post consolidated basis) at an issue price of \$0.25 per share.

Should shareholder approval for the Placement not be obtained, the Company will be forced to find alternative sources of funding for the Stayco acquisition.

The proposed issue of share under the Placement is subject to shareholder approval at the Company's Annual General Meeting in November 2022.

The Placement is not conditional upon shareholder approval for the for the reconstruction being obtained at the Company's Annual General Meeting.

NON-RENOUCEABLE RIGHTS ISSUE TERMS

The Company proposes to offer all existing shareholders participation in a non-renounceable rights issue, via a pro rata entitlement, one-for-two (1:2) shares with an issue price of A\$0.06 (on a pre-consolidated basis). The proceeds of the Rights Issue will total A\$4,863,213, assuming full subscription.

The Company will apply to ASX for Official Quotation of the 81,053,553 fully paid ordinary shares (on

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a pre-consolidated basis) assuming the full subscription of the Rights Issue.

Should the Company receive shareholder approval for the reconstruction of its capital, the Company will issue 16,210,711 fully paid ordinary shares (on a post consolidated basis) at an issue price of \$0.30 per share.

The Rights Issue is not conditional upon shareholder approval for the reconstruction being obtained at the Company's upcoming Annual General Meeting.

A proposed timetable for the Rights Issue is set out below.

Action	Date
Announcement of Offer & Appendix 3B	28 November 2022
Lodgement of Prospectus with ASIC & ASX	28 November 2022
Ex date	1 December 2022
Record Date for determining Entitlements	2 December 2022
Prospectus despatched to Shareholders & Company announces despatch has been completed	7 December 2022
Last day to extend Closing Date	13 December 2022
Closing Date*	16 December 2022
Securities quoted on a deferred settlement basis from market open	19 December 2022
Announcement of results of issue	23 December 2022
Issue date and lodgement of Appendix 2A with ASX applying for quotation of the securities (before noon Sydney time)	23 December 2022

CONVERTIBLE NOTE TERMS

In parallel with the aforementioned rights issue, the Company intends to raise a further A\$10.0M through the issue of redeemable convertible notes offered to qualified wholesale and sophisticated investors. The terms of the convertible notes are as follows:

Total Issuance:	400 Convertible Notes
Face Value per Note:	A\$25,000
Total Amount Raised:	\$10,000,000
Coupon Rate:	6.00%pa (fixed) paid quarterly
Conversion Price:	A\$0.45 (post consolidation)
Maturity:	60-Months
Redeemability:	Redeemable after 36 months

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The proposed Convertible Notes Issue is subject to shareholder approval at the Company's Annual General Meeting in November 2022. Should shareholder approval for the Convertible Notes Issue not be obtained, the Company will be forced to find alternative sources of funding for the acquisition of the holiday accommodation assets.

The Company currently has not engaged any investors to take part in the Convertible Notes Issue and there is a possibility that the issue of the Convertible Notes will not proceed if suitable investors cannot be found.

Further details concerning the reconstruction of capital, the Placement and the Convertible Notes Issue will be provided in the Explanatory Statement contained within the Company's 2022 Annual General Meeting (Notice of Meeting - to be released).

ACQUISITION DETAILS

Vendors: the vendors under the acquisition are StayCo and Paul Picone. Please refer to the first two points under the heading 'Use of Funds' for further details of these two vendors.

Consideration payable: The consideration payable for the acquisition is as follows:

- for the units in the FDAI Fund, a cash payment of \$6,000,000 (to be raised by the Company through the Capital Raising); and
- for the Trust Assets, \$10,000,000 to be raised by the Company via the issue of the Convertible Notes.

Material Conditions: The acquisition is conditional upon the below conditions:

- completion of due diligence investigations by the Company on the FDAIF Trust and the PT Picone Trust Assets;
- completion of the Capital Raising (as detailed above); and
- the Company obtaining all necessary shareholder, regulatory or third-party approvals required to complete the transaction.

The acquisition is otherwise on customary terms.

The Company is seeking shareholder approval for the Placement and the Convertible Notes Issue under Listing Rule 7.1.

Board changes: There will be no Board changes resulting from the acquisition.

Completion: expected to occur in December 2022.

This announcement was authorised for release by the Board.

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