



ASX Announcement (ASX: LAW)

31 October 2024

Quarterly Activities Report – September 2023 Quarter

The Board of LawFinance Limited (“LawFinance”, “LAW” or “the Company”) provides the following quarterly update for its September quarter ending 30 September 2023. The Company notes that it is providing this Quarterly Activities and Appendix 4C in order to comply with ASX Listing Rule 17.5 in relation to suspended entities.

September 2023 quarter (2Q23) KPI and commentary:

- **Conditional Funding Transaction**

Pursuant to the Conditional Funding transaction announced on 31 March 2023 (**Funding Transaction**), the Funder Lucerne LCF Pty Ltd (the **Funder**) provided the LAW Group with three instalments, comprising Tranche 1 funding totalling approximately US\$750,000, in 2Q23. This funding was utilised by the LAW group for general operating expenses and was provided by way of a junior participation in the Partners For Growth (**PFG**) loan facility.

As announced on 14 July 2023, the Funder acquired the debt of the only Secured Term Syndicated Facility Agreement (**SAF**) Lender who had indicated that it was not supportive of the SAF restructuring condition to the Funding Transaction (**Debt Trade**). LAW has now received indications of support, for the SAF restructuring condition, from all SAF Lenders.

Progress of completing all the restructuring conditions to the Funding Transaction has been slower than initially expected while the Debt Trade completed. LAW is now working with the SAF Lenders to negotiate and agree a formal implementation deed with all SAF Lenders (**SAF Implementation Deed**). LAW is working towards finalising the SAF Implementation Deed and it is expected it will be finalized with the restructure in December 2023.

This SAF Implementation Deed will, amongst other things, formally documents the terms of the agreed SAF restructure which forms a condition to the Funding Transaction and provide a formal SAF standstill period extending until the restructuring transaction is fully completed following shareholder approval for the Funding Transaction.

LAW is currently targeting the end of December 2023, to complete all the restructuring conditions to the Funding Transaction and Tranche 2 funding. Tranche 2 funding was originally envisaged to be US\$2.55 million, however following the Debt Trade, Tranche 2 funding has been reduced to US\$2.35 million. If the Funding Transaction proceeds, PFG will now receive US\$1.1 million of Tranche 2 funding, as an initial debt repayment, whereas they were previously to receive US\$1.3 million.

Given the delays, in completing the restructuring conditions, one of the SAF Lenders has offered to provide a further US\$200,000 interim funding to the LAW group as a contribution towards funding operating expenses prior to completion of the Funding Transaction and the receipt of Tranche 2 funding. LAW submitted a counterproposal to this SAF lender, to reduce the cash minimum requirement to be maintained by National Health Finance from US\$250,000 to US\$100,000. This proposal was accepted by the lenders and \$200,000 was received by LawFinance on the 13th of July 2023. PFG have remained supportive of the above and LAW are in the process



of drafting the formal PFG Facility amendments required for completion of the Funding Transaction.

As stated in the March 2023 Quarterly Activities Report LAW has received informal indications of support for the LAW Restructure relating to the EFI Facility Agreement. We are in the process of finalising documentation of this agreement, which we anticipate to agree in December.

It remains the Board's intent to seek shareholder approval for the Funding Transaction when binding agreements are in place in respect of the SAF, EFI and PFG facilities which are required to satisfy certain of the conditions to receiving Tranche 2 funding under the Funding Transaction.

- **Cash Collections - US\$1.9 million**

The NHF portfolio is managed as two separate sub-portfolios funded by different funders. The legacy portfolio is funded by Efficient Frontier Investing (EFI) and is comprised of receivables that are in various stages of litigation to mature receivables in their final stages of their settlement cycle (EFI book). The growth portfolio now funded by PFG is the focus of growth initiatives currently being undertaken by the team at NHF (PFG book).

Cash collected from the PFG and EFI books of receivables was US\$1.9 million. PFG book collections continued to decrease, reflecting a contracting book.

- **Originations - US\$0 million**

Originations remained on hold in 3Q23 as the Company continued to focus on the Funding Transaction above and progressing the Trident Health Group ("Trident HG") initiative.

- **Trident HG Update**

As announced previously, the Supplier Service Agreement between Trident HG and the US's largest hospital management company was executed in March 2023. The LAW Group confirms it is in discussions with several hospitals in Arizona. The company will give an update to shareholders in due course, however currently the timing of commencement of Trident HG operations remains uncertain.

- **Operating Expenditure (OPEX)**

Average monthly OPEX of US\$0.22 million during 3Q23 is inclusive of payments made in respect of EFI Book legal expenses from segregated funds not available for general operations. OPEX in 3Q23 was in line with the previous quarter (US\$0.23 million).



Payments to related parties of the entity and their associates

Following the cessation of Daniel Kleijn's employment in 2Q23, there was no payments to related parties for 3Q23. This has been disclosed in Section 6.1 of the attached Appendix 4C.

Authorised by:

The Board of Directors

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

LawFinance Limited

ABN

72 088 749 008

Quarter ended ("current quarter")

30 September 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,882	1,882
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(241)	(241)
(f) administration and corporate costs	(410)	(410)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other – working capital facility payments	(1,483)	(1,483)
1.9 Net cash from / (used in) operating activities	(252)	(252)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(2)	(2)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other – repayment of lease liabilities	(9)	(9)
3.10	Net cash from / (used in) financing activities	(11)	(11)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	751	751
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(252)	(252)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(11)	(11)
4.5	Effect of movement in exchange rates on cash held	(2)	(2)
4.6	Cash and cash equivalents at end of period	486	486

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	83	83
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Third party Lockbox accounts)	403	403
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	486	486

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	-
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	53,658	53,658
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities	53,658	53,658
7.5	Unused financing facilities available at quarter end		0
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <p>As at 9 November 2022 the 2nd Waiver and Modification to the PFG Facility agreement became effective. Pursuant to this agreement with PFG, the previously available headroom under the facility became unavailable to the Company. The Company is currently seeking and to date receiving, support and covenant relief and/or waivers on a regular basis while the Company works to complete the Conditional Funding Transaction that the Company is seeking to execute which was detailed in the announcement dated 31 March 2023. As part of this Conditional Funding transaction one of the conditions is that the PFG facility be restructured to facilitate a managed wind down of the PFG Book, to maximise recoverable value. To date PFG remain supportive of the Conditional Funding Transaction and the PFG facility restructuring agreement. The Company is seeking to agree and execute a formal amendment and restatement of the PFG Facility agreement during October 2023.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(252)
8.2	Cash and cash equivalents at quarter end (item 4.6)	486
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	486
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.93
	<p><i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i></p>	

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

The levels of net cash used for operating activities is largely driven by the levels of collections given that all collections are currently being applied to repay debt. However, in 2Q23, the Company received Tranche 1 funding pursuant to the Conditional Funding Transaction of approximately \$750,000 via the PFG debt. The Company expects collections in 4Q23 to be maintained at similar or potentially greater levels to 3Q23. However, the Company is also working towards completing the Conditional Funding Transaction and Tranche 2 funding of \$1.25m, (net of \$1.1 million payable to PFG to reduce debt).

Further, interim funding was provided in July 2023 (through the PFG Facility) from one of the SAF Lenders of an amount of \$200,000 as a contribution towards funding operating expenses prior to completion of the Funding Transaction and the receipt of Tranche 2 funding.

As part of the above interim funding agreement, the cash minimum requirement to be maintained by National Health Finance was reduced from US\$250,000 to US\$100,000. This reduction will help fund expected levels of operating expenses.

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Refer to 8.6.1

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

The restructure mentioned above is expected to go through in December 2023 and as such the business expects to continue its operations and meet its business objectives going forward.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date:31 October 2024.....

Authorised by: ..Anthony Murphy, Executive Director.....
 (Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An

entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.