

29 September 2023

Spirit to increase acquisition activity; secures \$5 million investment in Convertible Notes

Highlights:

- **Two tranche convertible note placement strongly supported by a suite of business leaders in the cyber security and Managed Services sectors across both public and private markets**
- **3-year Note with a coupon of 8% pa. with option to convert to equity at 4.5 cents in the first 18 months (a 10% premium to the current 14-day VWAP), or at 9 cents per share if converted after 18 months**
- **Notes converted in first year at a conversion price of 4.5 cents attract a bonus option, on a 1 for 2 basis to shares issued on conversion, exercisable at 9 cents per share with an exercise period of 2 years (options subject to shareholder approval),**
- **Spirit has a right to redeem if the share price exceeds 9 cents for 21 consecutive days**
- **Funds raised will be used for acquisition due diligence, evaluation and legal costs, integration planning and support costs, and working capital**

Spirit Technology Solutions ("Spirit" ASX:ST1), a leading provider of secure digital transformation and modern work environments has raised \$5 million (before costs) via a two tranche Convertible Note Placement (Placement), with tranche two subject to shareholder approval.

The Placement was strongly supported by a suite of a dozen business leaders in the cyber security and Managed Services sectors who have joined to invest in and accelerate Spirit's inorganic and organic growth. These leaders have all built high-growth cyber and Managed Services businesses across both the public and private markets.

Funds raised will be used as follows:

Tranche One

- Support due diligence and acquisition evaluation costs
- Working capital for the business

Tranche Two (subject to shareholder approval)

- Due diligence and legal costs relating to evaluated acquisitions
- Integration planning and support costs
- Working capital for the business

Spirit Managing Director and CEO Julian Challingsworth said: "The backing of prominent cyber security and Managed Security leaders validates our refined market strategy, focused on addressing key business challenges. This support marks the evolution of our Company and will allow us to accelerate our growth strategy, with the Spirit looking to secure acquisitions to grow in the Secure, Sustainable and Scalable space. Together, these initiatives underline our overall goal of becoming one of Australia's leading providers of modern and secure digital workplaces."

The Note Placement comprises:

- **Tranche One:** the issue of 1,250,000 Notes to raise \$1,250,000 to settle shortly under the Company's Placement capacity under ASX Listing Rule 7.1.
- **Tranche Two:** the issue of 3,750,000 Notes to raise \$3,750,000 subject to shareholder approval in accordance with ASX Listing Rule 7.1 (see Indicative Timetable below). EGM notice to be distributed shortly.

The Notes were issued under a deed poll entered into by the Company. For a summary of the terms, see Appendix: Convertible Note Terms Summary (Deed Poll).

Conversion terms:

- Three-year Note attracting a coupon of 8% pa, payable quarterly in cash, and able to convert to equity at 4.5 cents in the first 18 months (a 10% premium to the 14-day VWAP prior to date of this announcement), or at 9 cents per share if converted after year one
- Notes converted in first year at a conversion price of 4.5 cents attract a bonus option, on a 1 for 2 basis to shares issued on conversion, exercisable at 9 cents per share with an exercise period of 2 years, such options being subject to shareholder approval,
- Spirit has a right to redeem if the share price exceeds 9 cents for 21 consecutive days
- The Board will evaluate taking additional notes over the next week up to a maximum of an additional \$1m.

Law firm Landers & Rogers advised on legal matters for the Placement.

Indicative Timetable

Summary of Key Dates	Date/Time
Delivery of Tranche One Subscription Amount (Tranche One Funding Date)	10 October 2023
Expected date for issue of Tranche One Placement Notes	11.00am on the date after the Tranche One Funding Date
ST1 Shareholder meeting to approve Tranche Two	Early November 2023
Delivery of Tranche Two Subscription Amount (Tranche Two Funding Date)	3 business days after the date of the Shareholder meeting
Expected date for issue of Tranche Two Placement Notes	11.00am on the date after the Tranche Two Funding Date

*The above timetable is indicative only and may change at the sole discretion of the Company.

This announcement is authorised for release to the market by the Board of Directors of Spirit Technology Solutions Ltd.

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About Spirit Technology Solutions:

Spirit Technology Solutions is an ASX listed provider to Australian businesses of innovative IT&T managed services, cyber security and collaboration and communications platforms.

We are building the modern secure digital workplace for Australian businesses. Our mission is to “Make our customers secure, sustainable and scalable, while living our team values”

‘Secure by design’ is in our mantra and our world class cyber security solutions help Australian businesses take a different, data-centric and strategic approach to effective security.

Our collaboration and communications business was awarded by Cisco as Webex partner of the year for 2022 in the Asia-Pacific region, recognizing our world class team and focus on delivering amazing experiences to SMB customers.

Appendix: Convertible Note Terms Summary

No.	Term	Description
1	Type of security	Unsecured convertible note
2	Maximum number of Notes to be issued	Tranche One – 1,250,000 Tranche Two – 3,750,000
3	Face Value	\$1.00 per Note
4	Coupon	8% pa., payable quarterly in cash
5	Security	None
6	Maturity Date	22 September 2026
7	Conversion Price	If during first 18 months from date of deed poll, 4.5c per share. Thereafter, 9c per share
8	Optional conversion	At any time by Noteholder
9	Compulsory conversion	On takeover/scheme of arrangement involving the Company
10	Early redemption	At any time by the Company, where the Company's Shares trade above 9c per share for 21 consecutive trading days on ASX
11	Early conversion bonus	Subject to shareholder approval, if Noteholder converts during first year from date of deed poll, they will receive options on a 1 for 2 basis with the number of shares issued on conversion. Each option will be exercisable at 9 cents per share with an exercise period of 2 years.
12	Securityholder approval	Required for Tranche Two and issue of options as early conversion bonus
13	Redemption	On maturity or default - Company has 60 Business Day grace period for redemption
14	Reorganisations	Usual terms as required by ASX Listing Rules for reorganisations
15	Transferable	No
16	Listed	Notes - no Shares issued on conversion - yes
17	Target investor	Sophisticated and professional investors only