

ASX RELEASE

19 August 2020

MEJORITY CAPITAL LIMITED EXECUTES SALE AGREEMENT TO ACQUIRE CREATIVE CAPITAL PTY LTD

The Board of Mejory Capital Limited (the **Company or Mejory**) (ASX: MJC) is pleased to announce that it has entered into a share sale agreement to acquire 100% of the issued capital in boutique financing business Creative Capital Group Pty Ltd (**Creative**) from the shareholders of Creative (**Vendors**) (**Agreement**).

The acquisition Agreement is subject to, among other things, the receipt of the Company's shareholders approval, which will be sought at a general meeting of the Company's shareholders to be convened in or about September 2020 (**Notice**). The material terms of the of the Agreement are set out below, further details of the terms to also be set out in the Company's Notice. The Company anticipates this to be dispatched to shareholders shortly following this announcement.

Background

Over the last 14 years Creative has grown into a successful commercial and property finance broking business, more recently broadening its presence as a boutique capital advisory firm. Creative specialises in direct and in-direct debt financing, along with equity investment opportunities to SMEs, Small Cap ASX listed companies and private high net worth individuals with specific financing needs.

Creative's focus is centred on industries and sectors where traditional sources of capital are often challenging and constrained, requiring tailored financing solutions structured to meet the needs of the particular client. The combination of the Company's and Creative's team will now team up to provide new investment and lending products to targeted industries, whilst seeking to offer wholesale funding lines to the growing 'private lender' market.

The acquisition is in keeping with the Company's overall strategy of becoming a fully diversified financial services provider with a national footprint. The Board of Mejory is confident the complementary acquisition will be earnings accretive in year one and will substantially increase the Group's revenue in this current financial year.

Material Terms

Pursuant to the terms of the Agreement, the Company has agreed to:

- make an initial cash payment of \$600,000 to the Vendors upon the execution of the Agreement.
- upon the achievement of new revenue more than \$1 million, minus any trail related income generated prior to date of signing the agreement for a period of 12 months from the date of execution of the Agreement (**New Revenue Milestone**), the Company shall issue to the Vendors \$600,000 worth of fully paid shares in the capital of the Company at a deemed issue price per share equal to the higher of:
 - (i) the volume weighted average price (**VWAP**) over a 21-trading day period calculated from the date of execution; and
 - (ii) or \$0.02 per Share (**Issue Price**) (**Consideration Shares**); and
- upon the achievement of the New Revenue Milestone the Company shall:
 - (i) pay 50% in every dollar up to \$4,000,000 (**New Revenue Cap**) in excess of the New Revenue Milestone as follows:
 - (A) 50% in cash; and



(B) 50% in Shares at the Issue Price (**Milestone Shares**),

(together the **Consideration Securities**)

- The Company has agreed to appoint Creative director Patrick Bell to the Board of the Company.

By way of example, assuming the New Revenue Milestone is achieved to a value equal to the New Revenue Cap (A\$4M) the maximum number of Consideration Securities that the Company will be required to issue is 67,500,000 (comprising 30,000,000 Consideration Shares and 37,500,000 Milestone Shares).

If the New Revenue Milestone is not achieved, the Consideration Shares shall be adjusted pro rata for every dollar less than the New Revenue Milestone.

On 28 July 2020, the Company was granted the waiver (**Waiver**) and the right to issue the Consideration Securities outside the required 3 months following the date of the upcoming meeting. The Waiver was granted on the condition that, among others, that the Consideration Securities be issued no later than 31 December 2021. The full terms and conditions of the Waiver are set out below.

Commenting on the transaction, Mejority's CEO Neil Sheather said "The highly experienced team at Creative will bring further diversification to both our product offering and the flow on revenue streams, enhancing shareholder value in the process. It also strengthens our skill set in areas of lending, accelerating our growth and evolution as a diverse financial service provider".

Director of Creative Patrick Bell added, "The acquisition is a game changing strategic enabler for Creative Capital Group as it will provide full retail and wholesale financial services licensing, a funds management capability and access to the vast client base and professional network of Mejority Capital Limited."

The Consideration Securities pursuant to the Waiver must be issued subject to the following conditions:

- The Consideration Securities be issued within fourteen days of receipt of audited accounts of Creative ('Accounts') following the expiry of 12 months from the date of execution of the agreement between the shareholders of Creative and the Company with respect to the Acquisition ("Agreement"), and in any event, by no later than 31 December 2021.
- The performance milestones which must be satisfied for the Consideration Securities to be issued are not varied.
- A copy of the Accounts is released to the market prior to the Consideration Securities being issued.
- For any annual reporting period during which any of the Consideration Securities have been issued or any of them remain to be issued, MJC's annual report sets out in detail the number of the Consideration Securities issued in that annual reporting period, the number of the Consideration Securities that remain to be issued and the basis on which the Consideration Securities may be issued.
- In any half year or quarterly report for a period during which any of the Consideration Securities have been issued or remain to be issued, MJC must include a summary statement of the number of Consideration Securities issued during the reporting period, the number of Consideration Securities that remain to be issued and the basis on which the Consideration Securities may be issued.
- The Notice contains the full terms and conditions of the Consideration Securities, including worked examples for the number of Consideration Securities that may be issued within the thresholds set out in the relevant milestones, the maximum number of Consideration Securities that may be issued, as well as the conditions of this waiver.

END

For further information please contact:

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