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ASX Announcement | 10 October 2023
DomaCom Limited (ASX: DCL)

DomaCom announces up to $6 million capital raise through issue of convertible notes

Highlights

- DomaCom is initiating a capital raise of up to $6 million via convertible notes
- This capital infusion fortifies the company's financial position enabling further expansion
- The funds raised will be utilised for the repayment of Existing Convertible Notes
- The initial phase of Tranche 1 ($2 million) is fully underwritten
- DomaCom aims to sustain growth in revenue and Funds Under Management (FUM)

DomaCom Limited (ASX:DCL) ('**DomaCom**' or '**Company**'), is pleased to announce a capital raise of up to $6 million through the issuance of convertible notes. With support of several of DomaCom's primary shareholders, this initiative will commence with an initial fully underwritten raising of $2 million ('**Tranche 1'**) through the issue of 2 million convertible notes with a face value of $1.00 to wholesale investors, with a 5-year maturity date, paying an annual interest rate of 12% and a conversion price of $0.08 ('**New Notes**'). DomaCom will also consider oversubscriptions up to the amount available under its ASX Listing Rule 7.1 capacity. Furthermore, DomaCom intends to seek subscriptions for up to an additional $4 million ('**Tranche 2'**) to be raised through the issue of 4 million convertible notes with a face value of $1.00 with the same terms as Tranche 1 to wholesale investors subject to shareholder approval.

Following a robust FY2023 that witnessed a 61% increase in FUM to $216 million at 30 June 2023 and a 134% increase in fee revenue to $2.45 million for the year ended 30 June 2023, DomaCom plans to employ the capital raised to establish a solid financial foundation for future growth. DomaCom aspires to accelerate its growth trajectory by augmenting FUM and diversifying the asset classes offered to truly extract value of its unique platform for its shareholders.

The DomaCom product offering is unique in that it provides the security of a fully regulated trust structure, the benefits of an industry leading technology platform and the unique authorisations and Australian Financial Services License that allow the liquidity that comes from operating of the secondary market. DomaCom

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empowers investors by granting access to previously inaccessible assets, typically reserved for institutional and large scale investors, through asset fractionalisation thereby fostering diversification through smaller asset parcels.

Tranche 1 is anticipated to complete by 31 October 2023. DomaCom and its advisers are seeking to secure subscriptions for Tranche 2 as soon as possible, which will be subject to shareholder approval at DomaCom's forthcoming AGM. As a result, subject to securing subscriptions and shareholder approval, the earliest date for completion of Tranche 2 would be shortly after the AGM scheduled to be held on 27 November 2023, however it is possible that all or part of Tranche 2 (subject to securing subscriptions) may not complete until 31 January 2024 - prior to the maturity date of 1 February 2024 for existing convertible notes with a face value of $3.6 million ('**Existing Convertible Notes**').

The proceeds of the capital raise, if fully subscribed, will be allocated to repay the Existing Convertible Notes, provide working capital and fund the costs of the capital raise. In the event that only Tranche 1 is issued (raising $2million before costs), the proceeds will be used for working capital, partially repay the Existing Convertible Notes for an amount of $500,000 and to fund the costs of the offer and the Company will need to raise additional funds in order to repay the remainder of the Existing Convertible Notes by their maturity date of 1 February 2024.

As noted above the New Notes issued under the proposed raise will have a maturity date of 5 years from the date of first issue of the Notes. Subject to the capital raising being fully subscribed, the extended maturity date will provide greater certainty to investors that previously may have been aware of the requirement to repay the Existing Convertible Notes in February 2024.

HC Securities Pty Ltd are underwriting $1,850,000 of the amount being raised under Tranche 1. Sub-underwriting of up to $1,850,000 is provided by Halo Technologies Holdings Limited. The remaining $150,000 is being underwritten by two large existing shareholders and noteholders. Halo Technologies Holdings Limited is categorised as a substantial (10%+) holder of Shares in DomaCom Limited. As Halo Technologies Holdings Limited may subscribe for New Notes as a sub-underwriter Listing Rule 10.1 is applicable to any security which may be granted in respect of the New Notes. As a result, the New Notes issued under Tranche 1 will initially be unsecured and security will only be granted to the extent that either no parties who are subject to Listing Rule 10.1 hold the New Notes or if they do (which will be the case if Halo Technologies Holdings Limited subscribes for New Notes), that an ASX waiver is granted in relation to ASX Listing Rule 10.1 that will allow such holders to have the benefit of security in respect of the New Notes.

Options will be issued to the underwriters with a strike price of $0.10 and an expiry date of 5 years after the first issue New Notes and will otherwise be on

the terms set out in Annexure B. The underwriting is conditional on the holders of existing secured convertible notes entering an intercreditor deed in respect of Tranche 1.

Of the Existing Convertible Notes, holders currently holding unsecured notes with a face value of $650,000 are being offered the ability to exchange their existing unsecured notes for New Notes of the same face value (**Note Swap**) and in doing so will access the same terms as the Tranche 1 New Notes. Options will be issued to the existing convertible noteholders that take up the offer of the Note Swap. The options will have a strike price of $0.10 and will otherwise be on the terms set out in Annexure B. Both the New Notes issued under the Note Swap and the options will be subject to shareholder approval.

The remaining Existing Convertible Notes with a face value of $2,950,000 are secured. Completion of the capital raise is conditional on the holders of these secured Existing Convertible Notes entering into an appropriate intercreditor deed and the payment of a facilitation fee of $300,000.

The New Notes issued under Tranche 1, Tranche 2 and the Note Swap and the general security issued in respect of these New Notes (if security is granted as noted above) will initially rank second to the security held by the secured Existing Convertible Noteholders with a face value of $2,950,000. If security is granted (as noted above) first ranking security will apply to the New Notes once full repayment or conversion is made to the existing secured noteholders.

The New Notes under Tranche 1 and the options to be issued to underwriters of Tranche 1 will be issued without shareholder approval using the capacity available under ASX Listing Rule 7.1. New Notes (and options) to be issued under the Note Swap and, subject to securing subscriptions, Tranche 2 are to be issued subject to Shareholder approval, which will be sought at DomaCom's forthcoming AGM.

Other key terms of the New Notes are set out in Annexure A below, and will be further detailed in DomaCom's notice of general meeting for its AGM.

To demonstrate the impact of Tranche 1 and Tranche 2 on the Company's financial position, set out in Annexure C is a pro forma balance sheet with adjustments for trading between 1 July 2023 and 30 September 2023 (based on unaudited management accounts), and Tranche 1 and Tranche 2.

In addition to the matters stated in DomaCom's Annual Report announced on 2 October 2023 (**Annual Report**), the directors confirm they are comfortable with the financial position of DomaCom, including its solvency and ability to realise its assets and settle its liabilities in the normal course of business, notwithstanding the Annual Report noted matters indicating that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern including for the following reasons:

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- DomaCom has an established source of ongoing revenue income based on existing funds under management that provides a regular income source. In addition, new business creates campaign management fees. DomaCom has increased total fee revenue by 134% in FY2023. Fee revenue is forecast to continue to grow in the current financial year.
- The proposed capital raise is being carried out as part of a capital management strategy. Tranche 1 for $2,000,000 is fully underwritten and will provide the necessary short to medium term funding required to allow DomaCom to meet its financial objectives. Tranche 2 will then provide the necessary funding to further grow the business and importantly also allow the repayment of the existing convertible notes that have a maturity date of 1 February 2024. DomaCom has previously carried out a number of successful capital raises, both through issuing equity and also through the issue of convertible notes. The Directors are confident that the current proposed raises will also be successful and provide the planned capital to allow the Company to meet its ongoing financial requirements.
- DomaCom continues to have ongoing dialogue with key shareholders who continue to support the business and assist in ensuring its continuing success.
- DomaCom continues to carefully control ongoing operating costs. Recent initiatives have led to savings across various operating expenses. The Directors are committed to continue to control costs to ensure the ability to meet ongoing financial requirements.

DomaCom CEO John Elkovich commented, "We are pleased to announce the proposed issuance of Convertible Notes which will bolster the company's financial standing and support the continued growth opportunities available for the innovative DomaCom product offerings.

DomaCom has had a successful FY2023 and we eagerly anticipate building upon these achievements, carrying forward the momentum to fully realise the potential of the DomaCom platform".

This announcement has been authorised for release to the market by Company Secretary Philip Chard. **End**

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About DomaCom

DomaCom Limited (ASX:DCL) is the operator of an innovative managed investments platform for a wide range of assets across wholesale and retail markets. The platform offers investors and financial advisers easy access, reporting and transparency with comparatively lower minimum investments and competitive costs and structures. Investments on the platform can include a range of unique assets from agriculture, energy, securities, commercial and residential property.

As a leader in the Australian financial sector, DomaCom has a reputation for innovative structures and making portfolio diversification a reality for investors.

To learn more, please visit: www.domacom.com.au

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Annexure A: Key terms of New Notes

Investors	Wholesale investors identified by DomaCom
Face value	$1.00 per New Note Aggregate face value of: $2,000,000 for Tranche 1 (subject to oversubscriptions within LR 7.1 capacity) Up to $4,000,000 for Tranche 2
Maturity	5 years from date of first issue of New Notes
Quotation	The New Notes will not be quoted on the ASX. The company will apply for quotation of any shares issued on conversion of the New Notes.
Interest	12.00% p.a., payable quarterly in arrears. Any interest unpaid will be capitalised at the election of the Company. Any additional shares issued on conversion of the New Notes as a result of capitalisation of interest will be subject to shareholder approval.
Conversion Price	$0.08 per share issued on conversion
Conversion/redemption mechanism	There are five (5) different conversion/redemption mechanisms are set out below: 1. Convertible always at the election of the noteholder (on a quarterly basis), and / or 2. At the election of DomaCom Limited, the New Notes will be mandatorily converted if the 90 day VWAP is equal to or exceeds $0.10 per share at any time after 1 year from the date of issue, and / or 3. At the election of DomaCom Limited, the New Notes can be repaid in full including all accrued but unpaid interest at any time after 1 year from the issue date, and / or 4. New Notes will be mandatorily repayable in cash by DomaCom Limited if the 90 day Volume Weighted Average Price (VWAP) at maturity date is below $0.10 per share and / or 5. New Notes will be mandatorily converted into shares of DomaCom Limited if the 90 day Volume Weighted Average Price (VWAP) preceding maturity is equal to or exceeds $0.10 per share.
Transfer	The New Notes may be transferred only to sophisticated or professional investors or other investor exempt from disclosure approved by the Company and if security is granted to investors who are not subject to Listing Rule 10.1 (unless an ASX waiver is granted).

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Security	The New Notes issued under Tranche 1 will initially be unsecured and will only become secured in the event that: • no party meeting the criteria set out in ASX Listing Rule 10.1 subscribes for the convertible notes; or • ASX provide a waiver of the requirements of ASX Listing Rule 10.1 to permit the grant of security where there are noteholders who are subject to Listing Rule 10.1. In the event that there are any noteholders who are subject to Listing Rule 10.1, the Company will use its reasonably endeavours to promptly seek such a waiver. In the event that security is granted (subject to the matters above), it will granted under a separate security deed to be entered by the Company and the security trustee and will be a second ranking general security interest over all assets of the Company, subordinated to the first ranking general security interest held by secured Existing Convertible Note holders. On full repayment of the existing secured notes the general security interest (if granted) in respect of the New Notes will become first ranking. If granted, the general security interest in respect of the New Notes will be held by a security trustee (**Trustee**) on behalf of all convertible note holders. Prior to the issue of the New Notes, an intercreditor deed will need to be entered between the Trustee and the holders of the existing secured notes which will govern the relationship between them and provide for the subordination of the debts and securities of the New Notes to the existing secured notes. Under the terms of the intercreditor deed, the holders of the New Notes will be limited in their ability to seek repayment or enforcement of their security (if granted) until such time as the existing secured notes are repaid in full.

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Takeover/change in control	If 1. a takeover bid is made to acquire Shares and the offer under the takeover bid is, or becomes, unconditional and the bidder has acquired at any time a relevant interest in more than 50% of the Shares on issue; 2. a court approves a proposed scheme of arrangement which, when implemented, will result in a person having a relevant interest in more than 50% of the Shares on issue; or 3. there is a sale of the main undertaking of the Company that would require approval of the Shareholders in accordance with ASX Listing Rule 11.2, DomaCom will give each noteholder at least 20 business days notice of same, and noteholders may elect to convert their notes and if no such election is made DomaCom may elect (but is not obligated to) redeem all New Notes held for their face value and all accrued but unpaid interest.
Negative covenants	While the New Notes remain outstanding, DomaCom must not, without the approval of noteholders by ordinary resolution grant any security interests (other than certain permitted security interests), pay dividends to shareholders or undertake any capital reduction.
Events of default	On the occurrence of specified events of default, the noteholders may by special resolution declare all notes redeemable or take enforcement action against DomaCom. Events of default include the insolvency of Domacom, a breach of material obligations under the terms of the notes, a cessation of all or a substantial part of DomaCom's business or DomaCom is delisted from the ASX.

Annexure B: Option terms

1. Terms of the Options

1.1 Nature of Options

(a) Each Option shall grant the holder of that Option the right but not the obligation to be issued by DomaCom (**'Company'**) one Share at the Option Exercise Price.

(b) Each Option shall be exercisable by the Option holder complying with its obligations under this clause 1, at any time after the time of its grant, and prior to the date that is 5 years after the first issue of Convertible Notes under the proposed capital raise (the ***Option Expiration Date***) after which time it will lapse.

(c) The Options will not be quoted on the ASX.

1.2 Exercise of Options

(a) An Option holder may exercise any of its Options at any time prior to their expiration, by delivery of:

(i) a copy, whether electronically or otherwise, of a duly executed Option exercise form, to the Company during normal business hours on any Business Day at the Company's principal executive offices (or such other office or agency of the Company as it may designate by notice to the Option holder); and

(ii) payment of an amount equal to the Option Exercise Price (being $0.10 per Option) multiplied by the number of Shares in respect of which the Options are being exercised at the time, by wire transfer to the account specified by the Company from time to time or by bank draft delivered to the Company during normal business hours on any Business Day at the Company's principal executive offices (or such other office or agency of the Company as it may designate by notice to the Option holder).

(b) As soon as reasonably practicable, but in any event no later than ten (10) Business Days after receipt of a duly completed Exercise Form and the payment referred to in clause 1.2(a)(ii), the Company must cause its securities registrar to:

(i) issue and Electronically Deliver the Shares in respect of which the Options are so exercised by the Option holder; and

(ii) provide to the Option holder holding statements evidencing that such Shares have been recorded in the Company's Share register.

1.3 Bonus Issues

If prior to an exercise of an Option, the Company makes an issue of Equity Securities by way of capitalisation of profits or out of its reserves (other than pursuant to a dividend reinvestment plan) pursuant to an offer of such Equity Securities to at least all the holders of Equity Securities resident in Australia, then on exercise of the Option, the number of Equity Securities over which an Option is exercisable shall be increased by the number of

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Equity Securities which the holder of the Option would have received if the Option had been exercised before the date on which entitlements to the issue were calculated.

1.4 Rights Issues

If prior to an exercise of an Option, any offer or invitation is made by the Company to at least all the holders of Equity Securities resident in Australia for the subscription for cash with respect to Equity Securities, options or other securities of the Company on a pro rata basis relative to those holders' Shareholding at the time of the offer, the Option Exercise Price shall be reduced as specified in the Listing Rules in relation to pro-rata issues (except bonus issues).

1.5 Reconstruction of Capital

In the event of a consolidation, subdivision or similar reconstruction of the issued capital of the Company, and subject to such changes as are necessary to comply with the Listing Rules applying to a reconstruction of capital at the time of the reconstruction:

(a) the number of the Equity Securities to which each Option holder is entitled on exercise of the outstanding Options shall be reduced or increased in the same proportion as, and the nature of the Equity Securities shall be modified to the same extent that, the issued capital of the Company is consolidated, subdivided or reconstructed (subject to the same provisions with respect to rounding of entitlements as sanctioned by the meeting of shareholders approving the consolidation, subdivision or reconstruction); and

(b) an appropriate adjustment shall be made to the Option Exercise Price of the outstanding Options, with the intent that the total amount payable on exercise of the Options shall not alter.

1.6 Cumulative Adjustments

Full effect shall be given to the provisions of clauses 1.3 to 1.5, as and when occasions of their application arise and in such manner that the effects of the successive applications of them are cumulative, the intention being that the adjustments they progressively effect will be such as to reflect, in relation to the Shares issuable on exercise of the Options outstanding, the adjustments which on the occasions in question are progressively effected in relation to Equity Securities already on issue.

1.7 Notice of Adjustments

Whenever the number of Shares over which an Option is exercisable, or the Option Exercise Price, is adjusted pursuant to this Agreement, the Company must give notice of the adjustment to all the Option holders, within ten (10) Business Days.

1.8 Rights Prior to Exercise

Prior to its exercise, an Option does not confer a right on the Option holder to participate in a new issue of securities by the Company.

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1.9 Redemption

The Options shall not be redeemable by the Company.

1.10 Assignability and Transferability

The Options shall be freely assignable and transferable, subject to the provisions of Chapter 6D of the Corporations Act and the applicable law.

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Annexure C - pro forma balance sheet

		Historical Balance Sheet (audited) 30 June 2023 (i)	Balance Sheet (unaudited 30 September 2023) (ii)	Pro forma Balance Sheet 30 September 2023 Underwritten Offer (Tranche 1) (iii) (v)	Pro forma Balance Sheet 30 September 2023 Tranche 1 and Tranche 2 (iv) (v) (vi)
		$	$	$	$
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	1	486,464	326,266	1,886,266	5,646,266
Receivables		778,912	831,060	831,060	831,060
Prepayments and other assets		169,227	94,807	94,807	94,807
TOTAL CURRENT ASSETS		1,434,603	1,252,133	2,812,133	6,572,133
NON-CURRENT ASSETS					
Receivables		260,000	260,000	260,000	260,000
Property, plant and equipment		6,863	5,972	5,972	5,972
Intangible assets		1,525,771	1,112,187	1,112,187	1,112,187
Financial assets at fair value through profit and loss		13,146	13,146	13,146	13,146
TOTAL NON-CURRENT ASSETS		1,805,780	1,391,305	1,391,305	1,391,305
TOTAL ASSETS		3,240,383	2,643,438	4,203,438	7,963,438
LIABILITIES					
CURRENT LIABILITIES					
Payables		620,527	656,848	656,848	656,848
Provisions		134,963	134,963	134,963	134,963
Borrowings		3,232,949	3,782,310	3,782,310	3,782,310
Derivative financial instruments	2	-	-	12,500	37,500
TOTAL CURRENT LIABILITIES		3,988,439	4,574,121	4,586,621	4,611,621
NON-CURRENT LIABILITIES					
Provisions		137,001	137,001	137,001	137,001
Borrowings	3	-	-	1,269,867	4,061,201
TOTAL NON-CURRENT LIABILITIES		137,001	137,001	1,406,868	4,198,202
TOTAL LIABILITIES		4,125,440	4,711,122	5,993,489	8,809,823
NET ASSETS		(885,057)	(2,067,684)	(1,790,051)	(846,385)
EQUITY					
Issued Capital	4	44,987,083	44,987,083	45,137,083	45,137,083
Reserves	5	1,486,168	1,486,207	1,926,340	2,895,006
Accumulated Losses		(47,358,308)	(48,540,974)	(48,853,474)	(48,878,474)
TOTAL EQUITY		(885,057)	(2,067,684)	(1,790,051)	(846,385)

The pro forma balance sheet considers the following positions:

(i) Unadjusted Financial Position at 30 June 2023. Audited by external auditors.

(ii) Pro forma balance sheet at 30 September 2023 with adjustments for trading between 1 July 2023 and 30 September 2023 (based on unaudited management accounts).

(iii) Pro forma balance sheet at 30 September 2023 with adjustments for trading between 1 July 2023 and 30 September 2023 and the issue of $2,000,000 Convertible Notes (Tranche 1).

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(iv) Pro forma balance sheet at 30 September 2023 with adjustments for trading between 1 July 2023 and 30 September 2023 and the issue of $6,000,000 Convertible Notes (Tranche 1 and Tranche 2).

(v) The impact of carrying out Tranche 1 will be the initial repayment of $500,000 of the $2,950,000 existing secured convertible notes. The impact of carrying out Tranche 2 will the repayment of $2,450,000 representing the remainder of the of the $2,950,000. These repayments have not been included as pro forma adjustments.

(vi) In addition to the Total Proposed Capital Raise (Tranche 1 and Tranche 2), as set of in the announcement, the Existing Convertible Notes with a face value of $650,000 are being offered the ability to exchange their existing unsecured notes for New Notes of the same face value (Note Swap) and in doing so will access the same terms as the Tranche 1 New Notes. If this was to occur it would be a non-cash transaction. A pro forma adjustment has not been included for the Note Swap.

Notes to proforma balance sheet at 30 September 2023

1) Impact of pro forma adjustments on Cash and Cash Equivalents

	Underwritten Offer (Tranche 1) ($)	Total Proposed Capital Raise (Tranche 1 and Tranche 2) ($)
Cash and cash equivalents - unaudited balance sheet 30 September 2023	326,266	326,266
Issue of convertible notes	2,000,000	6,000,000
Estimated issue costs	(180,000)	(420,000)
Estimated legal costs	(110,000)	(110,000)
Estimated corporate advisory costs	(150,000)	(150,000)
Cash and cash equivalents - adjusted	1,886,266	5,646,266

a) Under the Tranche 1 Underwritten Offer, an increase of up to $1,560,000 from the proceeds of Tranche 1 Issue of Convertible Notes based on $2,000,000 from the issuance of 2,000,000 convertible notes with a face value of $1.00 offset by estimated issue and corporate advisory costs of $440,000.
b) Under the Total Proposed Capital Raise (Tranche 1 and Tranche 2), an increase of up to $5,320,000 from the proceeds of Tranche 1 and Tranche 2 Issue of Convertible Notes

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based on $6,000,000 from the issuance of 6,000,000 convertible notes with a face value of $1.00 offset by estimated issue and corporate advisory costs of $680,000.

2) Impact of pro forma adjustments on Derivative Financial Instruments

	Underwritten Offer (Tranche 1) ($)	Total Proposed Capital Raise (Tranche 1 and Tranche 2) ($)
Derivative financial instruments - unaudited balance sheet 30 September 2023	-	-
Issue of options to underwriters	12,500	37,500
Derivative financial instruments - adjusted	12,500	37,500

a) Under the Tranche 1 Underwritten Offer, up to 1,250,000 options with a strike price of $0.10 will be issued to the underwriters. The options have been valued at $0.01 and accounted for as derivative financial instruments.
b) Under the Total Proposed Capital Raise (Tranche 1 and Tranche 2), up to 3,750,000 options with a strike price of $0.10 will be issued to the underwriters. The options have been valued at $0.01 and accounted for as derivative financial instruments.

3) Impact of pro forma adjustments on Non-current borrowings

	Underwritten Offer (Tranche 1) ($)	Total Proposed Capital Raise (Tranche 1 and Tranche 2) ($)
Non-current borrowings - unaudited balance sheet 30 September 2023	-	-
Issue of convertible notes	1,484,467	4,453,401
Allocation of issue costs	(214,600)	(392,200)
Non-current borrowings - adjusted	1,269,867	4,061,201

a) The unaudited pro forma balance sheets account for proposed issue the convertible notes as compound financial instruments. In accordance with DomaCom's accounting

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policy set out in the 30 June 2023 Annual Report, the component parts of convertible notes issued are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible loan notes using the effective interest method.

b) Under the Tranche 1 Underwritten Offer, a financial liability of $1,484,467 is recognised and allocated issue costs of $214,600 are offset against the liability.

c) Under the Total Proposed Capital Raise (Tranche 1 and Tranche 2), a financial liability of $4,453,401 is recognised and allocated issue costs of $392,200 are offset against the liability.

4) Impact of pro forma adjustments on Issued share capital

	Underwritten Offer (Tranche 1) ($)	Total Proposed Capital Raise (Tranche 1 and Tranche 2) ($)
Issued share capital - unaudited balance sheet 30 September 2023	44,987,083	44,987,083
Issue of Ordinary Shares	150,000	150,000
Non-current borrowings - adjusted	45,137,083	45,137,083

The ASX Announcement and the Appendix 3B issued on 5 September 2023 sets out the maximum number of shares that may be issued in relation to the compensation for agreed corporate advisory services. As part of the amounts disclosed within the Appendix 3B, for the services relating to the proposed capital raise, 7,500,000 Ordinary Shares valued at $0.02 per shares representing $150,000 were agreed to be issued to the lead manager.

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5) Impact of pro forma adjustments on Reserves

	Underwritten Offer (Tranche 1) ($)	Total Proposed Capital Raise (Tranche 1 and Tranche 2) ($)
Reserves - unaudited balance sheet 30 September 2023	1,486,207	1,486,207
Issue of convertible notes	515,533	1,546,599
Allocation of issues costs	(75,400)	(137,800)
Non-current borrowings - adjusted	1,926,340	2,895,006

a) The unaudited pro forma balance sheets account for proposed issue the convertible notes as compound financial instruments. In accordance with DomaCom's accounting policy set out in the 30 June 2023 Annual Report, the component parts of convertible loan issued are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible loan notes using the effective interest method.

b) Under the Tranche 1 Underwritten Offer, an equity reserve amount of $515,533 is recognised on the issue of the convertible notes and allocated issue costs of $75,400 are allocated against the reserve.

c) Under the Total Proposed Capital Raise (Tranche 1 and Tranche 2), an equity reserve amount of $1,546,599 is recognised on the issue of the convertible notes and allocated issue costs of $137,800 are allocated against the reserve.

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