
E&P Financial Group Limited



Conditional Placement of Convertible Notes (and attached Options),
Proposed Delisting from ASX and Proposed Equal Access Buyback

24 September 2024

Overview

E&P Financial Group (ASX:EP1) today announces that it has applied to ASX for the removal of EP1 from the Official List of ASX

- The EP1 Board has concluded that the benefits of being listed on ASX are materially outweighed by the potential benefits of delivering the next phase of growth in an unlisted environment
- The Board's rationale is outlined in a Notice of Meeting that has been released today and includes:
 - a sustained negative impact on the EP1 share price as a result of regulatory proceedings and class action litigation. Notwithstanding the resolution of these issues, the lack of support from the equity market remains;
 - poor trading liquidity in EP1 shares, making it challenging for new investors to join the register and for existing shareholders to realise value for their shares;
 - having no prospects of index inclusion, nor any sell-side broker coverage;
 - EP1 incurring an estimated \$2.5 million in annual direct costs associated with being listed on ASX; and
 - EP1 having no near or medium-term requirement to raise capital (other than to fund the Buy-Back, defined below), and even if these circumstances were to change, raising capital from new shareholders would prove challenging at the current share price.
- There are two key components to the proposed pathway forward:
 - the process to delist from ASX (the **Delisting**); and
 - an Equal Access Buy-Back (the **Buy-Back**) which, subject to the terms of the Buy-Back, will have the effect of providing liquidity to EP1 shareholders that wish to exit the register prior to the Delisting becoming effective

Delisting

The Delisting will be subject to shareholder approval under a special resolution to be put to shareholders at an EGM on 24th October 2024¹

- EP1 has today submitted a formal request to ASX to be removed from the Official List of the ASX under Listing Rule 17.11
- In granting its in-principle approval, ASX has imposed standard conditions on EP1, including:
 - that EP1 seeks shareholder approval under the ASX Listing Rules as a special resolution – requiring 75% of the votes cast to be in favour for the resolution to be passed (**Delisting Resolution**); and
 - that EP1 shares continue to trade on ASX for a period of at least one month following shareholder approval being granted
- As a result, EP1 has today released a Notice of Meeting for an Extraordinary General Meeting (**EGM**) of EP1 shareholders to be held on 24th October 2024
- Should the resolution be passed, the final day of trading on ASX is expected to be 9th December 2024

Note: ¹ Please refer to the timetable on page 10 and note that dates are indicative only and may be subject to change by the Company or ASX.

Equal Access Buy-Back

The Equal Access Buy-Back will provide an opportunity for EP1 shareholders to exit the register at a significant premium to the last closing price and recent historical VWAP of EP1 shares

- Part of the rationale for pursuing the Delisting is the low level of trading liquidity in EP1 shares, with trading averaging approximately 33,000 shares per day in the 12 months to September 2024.
- In order to facilitate pre-delisting liquidity to align the EP1 shareholder register to an unlisted environment, and provide liquidity for those shareholders wishing to exit the EP1 register, EP1 will seek shareholder approval at the EGM to conduct an Equal Access Buy-Back
 - the Buy-Back will be conducted at a price of \$0.52, an 18% premium to the three month volume weighted average price of \$0.442 and a 27% premium to the last close of \$0.41 on 19th September 2024¹
 - requires shareholder approval under ordinary resolution (and will be conditional on the Delisting Resolution being passed) (**Buy-Back Resolution**)
 - should the Buy-Back Resolution be passed, it is anticipated that the Buy-Back will launch on 25th October 2024 and the tender period will close on 3rd December 2024
 - the Buy-Back has an overall monetary cap of \$25 million, with a Scale Back to apply in the event of demand in excess of \$25 million
 - Shares tendered into the Buy-Back (by an eligible shareholder) up to a Scale Back Threshold of \$30,000 will not be subject to any Scale Back
 - EP1 will run an unmarketable share sale facility (holdings of less than \$500) in parallel in accordance with clause 12 of the Company's Constitution and ASX Listing Rule 15.13
- The Explanatory Memorandum contains a copy of the Buy-Back booklet with the terms and conditions for the Buy-Back

Note: ¹ VWAP calculated for the period of 20 June 2024 to 19 September 2024

Capital raising

The Buy-Back will be funded through a combination of a Conditional Placement and access to a short-term debt facility

- The first \$12.5 million of demand under the Buy-Back will be funded through:
 - a conditional placement of Convertible Notes (with free attached options) of \$12.5 million at a conversion price of \$0.52 per share, being the same price as the Buy-Back (**Placement**)
- Settlement of the Convertible Notes and the issue of attached options will be conditional on the passing of the Delisting and Buyback Resolutions. Settlement is expected to occur on 31st October 2024
- The Convertible Notes will be unsecured and will accrue interest at 8.0% from 1st November 2024 until the Convertible Notes are mandatorily converted to ordinary shares in EP1 on 1st May 2025 or on the occurrence of a change of control event. Summary terms are outlined on pages 6-7
- The options will be issued on the basis of one call option for every two conversion shares (excluding those issued in satisfaction of accrued interest); are exercisable at \$0.52; and expire on 31st October 2029. Summary terms are outlined on page 8
- EP1 has secured binding subscriptions from wholesale investors, including over 90 EP1 executives (representing a majority of the commitments), EP1 Directors and Mercury Capital
 - commitment of EP1 executives creates strong alignment between key EP1 staff and EP1 shareholders
 - participation by certain EP1 Directors will be subject to shareholder approval at the EGM under Listing Rule 10.11
- Should demand under the Buy-Back exceed \$12.5 million, EP1 has entered into agreement for a short-term debt facility of \$12.5 million (**Debt Facility**)
 - the Debt Facility is currently anticipated to be refinanced post-Delisting via a future capital raising as outlined on page 9



Summary of Convertible Note terms

Settlement of the Convertible Notes will be conditional on the passing of the Delisting and Buy-Back Resolutions at the proposed EGM

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Summary of key terms

Investment amount	<p>Placement of Convertible Notes to raise up to \$12.5 million from wholesale investors. EP1 has secured binding subscriptions from wholesale investors, including over 90 EP1 executives (representing a majority of the commitments), EP1 Directors and Mercury Capital</p> <p>Without shareholder approval:</p> <ul style="list-style-type: none">– Approximately \$12.04 million, being EP1’s placement capacity at the date of the EGM under this structure (including the impact of the attached options) <p>Subject to shareholder approval:</p> <ul style="list-style-type: none">– a further \$0.46 million from certain EP1 Directors <p>Settlement of the Placement and issue of securities is conditional on the Delisting and Buyback Resolutions being passed</p>
Face value of Convertible Notes on issue	\$100
Interest Coupon	8% per annum, accrued on a simple interest basis from issue until the earlier of conversion and redemption and settled in equity through the issue of fully paid ordinary shares in EP1 at conversion. Interest will not accrue past the Maturity Date.
Conversion Price	\$0.52 representing a 18% premium to the three-month VWAP in EP1 shares on ASX up to 16 th September 2024
Conversion	<p>On the earlier of the Maturity Date and a Change of Control Event (Conversion Date) and subject to EP1 having obtained shareholder approval for the Delisting, each convertible note will mandatorily convert into that number of ordinary, fully paid shares in EP1 as is determined by dividing the value of the Convertible Note at the Conversion Date (including accrued interest) by the Conversion Price (Conversion Shares).</p> <p>A Convertible Note may not be converted if to do so would result in the holder being in breach of section 606 of the <i>Corporations Act 2001</i> (Cth) (Act) where none of the items under section 611 of that Act apply</p>

Summary of Convertible Note terms

Settlement of the Convertible Notes will be conditional on the passing of the Delisting and Buy-Back Resolutions at the proposed EGM

Key terms (continued)

Change of Control Event	The acquisition by a bona fide third party of more than 50% of the total number of EP1 ordinary shares on issue
Issue Date	1 November 2024
Maturity date	1 May 2025
Security	Unsecured
Attaching Options	Each Convertible Note will have attached options exercisable at \$0.52 at a ratio of one option for each two underlying shares issued on conversion, excluding shares issued in payment of accrued interest on the note Option terms are summarised on page 8
Shareholder approval	Resolutions approving the Directors' participation in the Placement under Listing Rule 10.11 will be conditional on the passing of the Buy-Back Resolution (which itself will be conditional on the passing of the Delisting Resolution)
Other terms	The Convertible Notes will not be quoted on ASX or any other financial market Convertible Notes do not confer on Convertible Noteholders a right or entitlement to participate in the proposed future capital raising and for the avoidance of doubt, do not carry any voting entitlement until such time as they are converted The Notice of Meeting of the EGM contains a more fulsome summary of key terms

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Summary of Option terms

Options will be issued on the same date as the Convertible Notes

Summary of key terms

Issue Price	No monetary consideration is payable on the issue of an Option
Ratio	One option for each two underlying shares issued on Conversion, excluding shares issued in payment of accrued interest on the Convertible Note
Exercise Price	\$0.52
Expiry Date	31 October 2029
Exercise Period	An Option may be exercised at any time following the Conversion Date (but not later than the Expiry Date), subject to EP1's securities trading policy with respect to EP1 executives and Directors
Limitations on Exercise	An Option may not be exercised if to do so would result in the holder being in breach of section 606 of the Corporations Act where none of the items under section 611 of that Act apply
Other terms	The Options will not be quoted on ASX The Notice of Meeting of the EGM contains a more fulsome summary of key terms

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Potential future capital raising (post-Delisting)

E&P intends to explore a future capital raising, with the proceeds intended to be used to repay the short-term Debt Facility

- If the Delisting occurs, E&P intends to explore a potential future capital raising, which is currently expected to be in the form of an entitlement offer which may be launched following the release of the Company's H1 FY25 results
- If this capital raising proceeds then:
 - the proceeds of the capital raising would be used to refinance the debt facility drawn upon to partially fund the Buy-Back
 - it would provide an opportunity for all Shareholders who remain on the Company's share register to participate, with the offer expected to be on broadly the same economic terms as the Convertible Notes, to raise a minimum of \$5,000,000 and a maximum of \$12,500,000
 - the Convertible Notes issued under the Placement would not confer eligibility to participate in the potential future capital raising (given the Convertible Notes will not convert until after the offer period envisaged by the potential future capital raising)
- If this proposed capital raising does not raise sufficient capital to repay the full amount of the Debt Facility, the Company intends to repay the remaining debt through either a third-party refinance and/or available cash
- A final decision on whether to undertake this capital raising, and therefore the actual terms of any such capital raising, is yet to be determined. Accordingly, the Company gives no assurances regarding the availability or structure of any such future raising

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Indicative Timetable

Should the Resolutions be passed, EP1 currently anticipates that its shares will be removed from the Official List on 12th December 2024

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Key Event	Key Dates
Formal Application for proposed Delisting submitted to ASX	Tuesday, 24 September 2024
Announcement to ASX of proposed Delisting	Tuesday, 24 September 2024
Notice of EGM and Explanatory Statement dispatched to Shareholders	Tuesday, 24 September 2024
Extraordinary General Meeting held to approve the proposed Delisting	Thursday, 24 October 2024
Results of EGM announced to ASX	Thursday, 24 October 2024
Launch of Buy-Back	Friday, 25 October 2024
Record date of Buy-Back	Thursday, 31 October 2024
Tender Period of Buy-Back Opens	Tuesday, 5 November 2024
Tender Period of Buy-Back Closes	Tuesday, 3 December 2024
Completion of Buy-Back	Monday, 9 December 2024
Suspension from quotation	Monday, 9 December 2024
Removal of the Company from the Official List	Thursday, 12 December 2024

All times and dates in the above timetable are references to the time and date in Melbourne, Victoria, Australia, are indicative only and may be subject to change by the Company or ASX. The Key Dates above are linked to the Resolutions included within the Notice of Meeting for the EGM and accordingly are conditional on approval by Shareholders. Any material changes will be announced by the Company to the ASX.

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A square logo with a dark red border containing the text "E&P" in a dark red serif font.

E&P