

ASX ANNOUNCEMENT

5 November 2024

PEPPERMINT SECURES FLEXIBLE FUNDING PACKAGE TO DRIVE DIGITAL GROWTH AND EMPOWER FINANCIAL INCLUSION

Highlights

- PIL secures funding package to strengthen balance sheet and provide ongoing funding for core operations in the Philippines through a convertible note issue
- Up to AUD\$3m Convertible Notes agreed to be purchased by Obsidian Global GP LLC (the Investor)
- First tranche drawdown of \$750,000
- PIL can repay at any time, subject to a 5-day written notice to the Investor
- Convertible Notes have 36 months Maturity with a face value of US\$1.15
- The Convertible Notes will be interest free (other than on default)
- The Investor has agreed to a 60 day non conversion period on convertible notes issued from the execution date
- The Investor has agreed trading restrictions; not to sell more than the greater of \$20,000 or 20% of the daily trading volume, in any given day

PERTH, Australia, 5 November 2024: Peppermint Innovation Limited (ASX:PIL) (“Peppermint”, or the “Company”), is pleased to advise it has secured commitments to raise up to \$3.0 million through the issuance of convertible notes (**Convertible Notes**) to Obsidian Global GP LLC (**Obsidian** or the **Investor**) comprising an initial tranche of \$750,000 and additional further tranches up to \$2,250,000 within 18 months subject to mutual agreement and other standard conditions precedent.

Peppermint’s Managing Director and CEO Chris Kain said: "This agreement provides immediate capital to strengthen our financial position while establishing a flexible funding facility. This will support our growth initiatives, Philippines operations, product development, and market expansion plans.

"Our decision to pursue a Convertible Note structure rather than a traditional equity raise reflects our strong conviction that our current share price significantly undervalues our company's true worth and future prospects. This financing approach allows us to access needed capital while protecting shareholder value. A key advantage is the flexibility it provides - we maintain the option to prepay the note or allow conversion to equity, depending on what best serves the Company's and shareholders. This strategic choice balances our immediate funding needs with our commitment to maximising long-term shareholder value."



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Key Terms as follows:

- The Company has the ability to draw down up to \$3,000,000 through the issue of Convertible Notes.
- Tranche one of \$750,000 within 5 business days after execution of definitive documentation.
- Tranche two of \$250,000 within 5 days after the Company's 2024 annual general meeting, subject to shareholder approval and satisfaction of other standard conditions precedent.
- Further tranches, up to a value of \$2,000,000, within 18 months based upon mutual agreement, subject to shareholder approval and satisfaction of other standard conditions precedent.
- The Investor will be issued with 37.5m placement shares (**Placement Shares**). The Placement Shares are intended to be used to offset any future shares issued to Obsidian at its discretion.
- Face value for each Convertible note is US\$1.15 (**Face Value**).
- Maturity is 36 months from the date of issue.
- Interest free (except on default, where interest is payable at 15% per annum).
- The aggregate maximum number of new securities that the Company may or is required to issue on one or more conversions or redemptions of Convertible Notes issued under Tranche one, without the Company first obtaining shareholder approval for the relevant issue of Shares, is 230,677,025 Shares (being the Company's available placement capacity under listing rule 7.1).

Conversion Price and Adjustments

- The Convertible Note(s) shall be convertible in whole or in part at the Investors election at a price equal to \$0.012 (the "Fixed Conversion Price").
- After 60 days, if any average 20 day VWAP is below the Fixed Conversion Price, the Investor shall have the option to convert the note(s) at a 10% discount from the average of the lowest 3 daily VWAPs in the 15 trading days prior to Conversion (the "Variable Conversion Price"), provided that the Variable Conversion Price is not less than \$0.0035 (Floor Price), and where the calculation would result in a Conversion Price less than \$0.0035, the Variable Conversion Price will be \$0.0035.
- If any conversion takes place at the Variable Conversion Price and the Variable Conversion Price without regard to the Floor Price is lower than the Floor Price, then at the time of the issue of the conversion shares, the Company must either reduce the number of Placement Shares or make a payment to Obsidian in accordance with prescribed formulas.
- The investor shall not convert more than 4.99% of shares outstanding at any one time and no shares will be issued if it would result in Obsidian or any person holding a relevant interest in more than 19.99% of the shares on issue. In this case, the Company must not issue the shares to Obsidian but must instead repay to Obsidian the relevant amount outstanding.

Cash Redemption

- The Company may at any time redeem the Convertible Notes outstanding.
- The Company may prepay the Note in cash (in full or in part) subject to giving a 5-day written notice to the Investor.
- All cash payments shall be done at a 5% premium to the Face Value.
- Obsidian may:
 - where the Company raises funds in aggregate of less than \$2,500,000 from any source (other than from Obsidian), require the Company to apply up 20% of the proceeds of the funds raised (from the first \$2,500,000 raised); and
 - where the Company raises funds in aggregate of more than \$2,500,000 from any source (other than from Obsidian), require the Company to apply up 35% of the proceeds of the funds raised (from the funds raised in excess of \$2,500,000),to the redemption of outstanding Convertible Notes.



Trading Restrictions

- The Investor agrees not to sell more than the greater of i) \$20,000 or ii) 20% of the daily trading volume, in any given day.

Exchange rate

- The Convertible Notes shall be held in USD based on the exchange rate on the day of funding. The Company will issue the number of Convertible Notes that is equivalent to the actual amount paid in USD by Obsidian.

Security

- The Company will issue 37.5m Placement Shares to the Investor. Any Placement Shares which remain unpaid at the end of the maturity date of the Convertible Notes (and no amount is owed to Obsidian), will either be purchased by Obsidian at 90% of the average of the lowest 5 daily VWAPs during the 15 actual trading days immediately prior to the date that Obsidian makes the payment, sold on-market and 95% of the net proceeds paid to the Company, or transferred to a nominee of the Company.

Compliance statement

The Company provides the following information for the purposes of section 4 of ASX Compliance Update No 05/20, and ASX Compliance Update No 05/23:

- the Company has negotiated the Convertible Notes at arm's length with a sophisticated and professional investor who is an independent third party to the Company;
- the Company considers that the issue of the Convertible Notes is an appropriate and commercial solution to provide working capital to enable to Company to support its growth initiatives, Philippines operations, product development, and market expansion plans;
- prior to entering into the Convertible Note Agreement, the Company considered other available fund-raising options, such as a traditional equity raising and other types of equity-linked debt instruments, to meet the Company's funding requirements. The Company was of the view that the other options available were not on the same commercial terms and were therefore not in the best interests of Shareholders of the Company; and
- the Company has not agreed to enter into a deed of charge or other form of security arrangement and to issue 'collateral shares' to a convertible noteholder.

The Company confirms that it sought legal advice from Steinepreis Paganin regarding the suitability of the terms of the Convertible Notes and was advised that the Convertible Notes were market standard and do not contain any of the features noted in section 5.9 of ASX Guidance Note 21, based on the reasons set out below:

- the agreement contains a floor price for the conversion of the Convertible Notes; and
- there are other convertible notes on similar terms in the marketplace.

-ENDS-



This ASX announcement has been approved by Peppermint Innovation Limited's Board of Directors and authorised for release.

For more information, please contact:

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About Peppermint Innovation Ltd

Peppermint Innovation is an Australian company focused on the commercialisation and further development of the Peppermint Platform, a mobile banking, payment and remittance, delivery and logistics, ecommerce and finance technology to service the Philippines market – which was initially designed for banks, agents, associations and microfinance institutions. Peppermint currently operates the Peppermint Platform in the Philippines.

Forward Looking Statements: Statements regarding plans with respect to Peppermint's business plans are forward looking statements. There can be no assurance that Peppermint's plans will proceed as expected and there can be no assurance that Peppermint will be able to increase revenue.

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