

ASX ANNOUNCEMENT
12 December 2018

Change Financial Undertakes Recapitalisation

Investment Highlights

- A cornerstone investment from Altor Capital has been secured to support the build of Change Financial's enterprise banking solution
- The Altor Capital investment will be supported by an entitlement offer to existing shareholders
- Harley Dalton and Ben Harrison, key principles of Altor Capital, will be joining the Change Financial Board
- Ash Shilkin is stepping down as Executive Director of the Company
- Once launched, the enterprise solution will target US banks, credit unions and corporations seeking an innovative payments processing solution
- A recent external strategic review concluded that Change Financial should focus on completing the enterprise solution and monetising its non-core businesses

12 December 2018: U.S.-based fintech company Change Financial Limited (ASX:CCA) ("Change Financial" or "the Company") is pleased to announce that it is undertaking a capital raising to continue the build out of its enterprise banking solution.

Capital Raising

Change Financial plans to raise capital under a funding package which includes a convertible note to alternative asset manager Altor Capital and an entitlement offer to existing shareholders.

The convertible note facility ('the Notes') provided by Altor Capital is for up to A\$4 million and the entitlement offer to existing shareholders will raise up to A\$1 million.

Altor Capital will initially invest A\$2 million by way of an initial term loan facility ("Loan") that will be replaced by an issue of Notes following shareholder approval.

Altor Capital is an alternative asset manager that has been a long-term supporter of the Company and was a major shareholder prior to the Company's IPO.

Altor Capital facility overview

Altor Capital will advance A\$2 million under the Loan. Following the advance of funds, the Company will seek shareholder approval for the issue of Notes at a face value of A\$0.10. If shareholder approval is obtained, the Company will issue such number of Notes that all amounts to be repaid under the Loan are fully set off against the subscription price for the Notes. Additionally, the Company and Altor Capital may agree for Altor Capital to

subscribe for an additional A\$2 million worth of Notes. Notice materials for the shareholder meeting are expected to be sent to shareholders on 21 December 2018.

The face value of each Note is A\$0.10 with a maturity of 36 months from the date of the Notes. The Loan and Notes are secured by a first ranking security over the Company's assets. The Notes have a conversion price of the lower of \$0.10 or 75% of the 10-day VWAP of the Company's shares prior to conversion. A coupon of 10% p.a will be paid quarterly in arrears. The Company can elect to pay interest by way of cash or additional Notes. There will be a facility fee of 4 million options at an exercise price of \$0.01 expiring 31 December 2020.

Entitlement offer overview

In addition to the funding from Altor Capital, the Company will launch an entitlement offer (the 'Offer') of ordinary shares to existing shareholders on or before the record date of A\$1 million at an issue price of A\$0.06 per share. An offer document with further details will be dispatched to shareholders shortly.

The issue price represents a:

- 21.1% discount to the last close price
- 22.4% discount to the 10-day VWAP
- 24.4% discount to the 30-day VWAP
- 18.2% discount to the TERP

Use of funds

The key outcomes of the review were that the Company should focus on completing its enterprise solution and seek opportunities to further monetise its non-core businesses, mobile banking provider ChimpChange and the Ivy blockchain project. As such, Change Financial will use the raised capital to fund the continued build out of its enterprise banking solution.

The opportunity for the enterprise solution is large and growing. According to research provided by Edgar Dunn & Company, the external entity which conducted the strategic review, the market size for the enterprise solution will be approximately US\$50 billion next year and is projected to grow at a CAGR of over 60% per annum through 2025.

The Company has completed Mastercard's (NYSE:MA) third-party processor testing procedure. The Company's payments processing platform is now eligible for registration as a Mastercard third-party processor. There are currently less than 30 Mastercard-certified issuers in the US.

Once launched, the enterprise solution will provide turn-key services targeting more than 7,000 Federal Deposit Insurance Corporation (FDIC) banks, 5,500 credit unions and corporations in the US with innovative, cost-effective mobile banking services.

Changes to the Board

The Company is pleased to announce that Harley Dalton and Ben Harrison, key principles of Altor Capital, have been appointed Directors of the Company.

Altor Capital have been assisting the Company over the last 3 months and following completion of due diligence made the decision to invest in the Company. Ben Harrison was formerly a director of the Company.

Change Financial Executive Chair Teresa Clarke: “We are very pleased to be partnering with Altor Capital, which has always been a strong supporter of Change Financial throughout its history. We look forward to completing this recapitalisation so that we can continue with the built out of our enterprise banking solution.”

The Company also advises, that Ash Shilkin has stepped down as Executive Director of the Company.

As Founder and former Managing Director & CEO, Mr Shilkin had a huge impact on shaping the vision for the Company, successfully launched ChimpChange mobile banking, and commenced development of the Company’s debit card processing technology.

Mr Shilkin will remain a committed shareholder and has great confidence in the enterprise processor the Company is currently in the process of completing. Mr Shilkin has indicated he will continue supporting the Board during the transition period.

Mr Shilkin stated: “I want to thank all staff and shareholders for their support over the years. While the Company has been through its most challenging year to date; I believe the Company holds valuable technology which could be effectively monetised by the team. I wish the Board and staff all the best for the next chapter of the Company’s journey.”

Change Financial Executive Chair Teresa Clarke: “We would like to take this opportunity to thank Ash Shilkin for all his hard work for Change Financial. Ash has been instrumental in the growth of the Company and has offered excellent support through its recent transitional period.”

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About Change Financial

Change Financial Limited (ASX: CCA) is a US-focused fintech company revolutionising the way traditional currencies and digital assets flow between consumers, businesses and financial institutions through its range of innovative, globally scalable payments' services. Change Financial's solutions include an enterprise payments processor (eligible for Mastercard registration), a blockchain-based payments platform and cryptocurrency and an award-winning consumer digital banking platform.

To learn more, please visit: www.changefinancial.com

About Altor Capital

Altor Capital is a boutique alternative asset manager and corporate advisory firm providing alternative asset solutions to its clients' portfolios as well as strategic advice to its corporate clients.

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