ATOMOS LIMITED (ASX:AMS)
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ASX Announcement

13 October 2023

Acquisition of Arrowpoint Debt Facility by Doma and ASX Waiver

Highlights:

- It is intended that Domazet FT3 Pty Ltd as trustee for The Domazet Family Trust No 3 (**Doma**), a substantial holder of the Company, will replace Arrowpoint Capital Finance 103 Pty Ltd (**Arrowpoint**) as financier of the debt funding arrangement (**Debt Facility**) currently provided by Arrowpoint.
- The terms offered by Doma are considerably more favourable to the Company than the arrangements currently in place, and include the capitalisation of interest, no scheduled amortisation, waiver of all financial covenants, and an increase in the available facility limit to $5 million with no line fee.
- The Company, Doma and Arrowpoint have entered into a Deed of Novation, Assignment and Amendment that provides for Doma's acquisition of the Debt Facility from Arrowpoint (**Novation Deed**).
- Under the Novation Deed:
    - Arrowpoint will novate its rights and obligations under the Debt Facility and assign the benefit of the security interests granted over assets of the Company and its subsidiaries to Doma;
    - Atomos and Doma will amend certain of the contractual terms of the Debt Facility (**Amended Facility**); and
    - the Option Deed under which Arrowpoint was granted share options in connection with the Debt Facility will be terminated (and Doma will not be issued any options or warrants under the Amended Facility or Novation Deed).
- The Novation Deed is conditional on, among other things, the Company having received a waiver from ASX Limited (**ASX**) from compliance with Listing Rule 10.1 or shareholder approval in accordance with Listing Rule 10.1.
- ASX has granted the Company a waiver in respect to Listing Rule 10.1, and therefore, the most significant condition precedent under the Novation Deed has been satisfied. The balance of the conditions are largely procedural and the parties are currently working through them with a view to completing the novation as soon as practicable.

Atomos Limited (**ASX:AMS**, '**Atomos'** or the '**Company'**) refers to its announcement dated 30 May 2022 regarding a $12 million working capital facility with Arrowpoint (**Debt Facility**), secured over the assets of the Company and its subsidiaries (**Arrowpoint Security Interests**). Following early pre-payments and various amortisation payments, the outstanding principal amount owing under the Arrowpoint Facility is approximately $2,900,000 as at the date of this announcement.

Atomos advises that Doma, the holder of approximately 17.6% of the issued shares in the Company, will replace Arrowpoint as financier under the Debt Facility, on terms more favourable to the Company, subject to the conditions in the Novation Deed.

Operation of the Novation Deed

Under the Novation Deed:

(a) Arrowpoint will novate its rights and obligations under the Debt Facility;

(b) the benefit of the Arrowpoint Security Interests will be assigned to Doma, the material terms of which are disclosed below;

(c) Doma and the Company will amend the terms of the Debt Facility (**Amended Facility**), the material terms of which are disclosed below;

(d) upon the Amended Facility coming into effect, Arrowpoint will be released and discharged from the Debt Facility; and

(e) the Option Deed under which Arrowpoint was issued share options in connection with the Debt Facility, as disclosed to the ASX in announcements dated 30 May 2022 and 31 May 2022 respectively, will be terminated and the Company will be released from all obligations and liabilities under, or in connection with, the Option Deed.

Doma will not have a right to the share options granted to Arrowpoint, nor will Doma be issued share options or warrants under the Novation Deed or the Amended Facility.

Consideration of the Board

As part of the strategic review of the Company's business that commenced in early 2023 (as disclosed to the market on 1 March 2023), the Board has been exploring options to refinance the Debt Facility. The Board relevantly assessed all available funding options, and the funding offered by Doma (pursuant to the Novation Deed and Amended Facility) presented the optimal outcome for the Company within the planned timeframe, given current market conditions.

The Board have determined that the terms of the Novation Deed and the Amended Facility are considerably more favourable to the Company than the arrangements they succeed to and amend. The Novation Deed and Amended Facility have been negotiated between all parties on an arm's length basis with the support of their respective independent legal advisors. Accordingly, the Board considers that the transactions contemplated by the Novation Deed and the Amended Facility are fair and reasonable from the perspective of the holders of the Company's ordinary securities, and offer the optimal path forward for the Company, taking into account all of the prevailing circumstances.

ASX Waiver

Doma retains more than 10% of the issued share capital in Atomos, such that the granting (including by novation or assignment) of security interests to Doma over the Company's and its subsidiaries' assets under the Novation Deed requires shareholder approval pursuant to Listing Rule 10.1.

The Company applied to the ASX for a waiver from the application of Listing Rule 10.1, and that waiver has now been granted. Therefore, the most significant condition precedent under the Novation Deed has been satisfied. The balance of the conditions are largely procedural and the parties are currently working through them with a view to completing the novation as soon as practicable.

The terms of the ASX Waiver are set out in Annexure A to this announcement.

Amended Facility and Doma's Security

The material terms of the Amended Facility between Atomos and Doma and Doma's security interest are set out in Annexure B to this announcement.

Update on Audit Process

As advised to the market on 16 June 2023, Atomos appointed Moore Australia (VIC) as auditors. The annual financial audit is taking longer than anticipated to finalise, but is very well-progressed.

The Company will provide further updates to the market in relation to the anticipated timing of release of its audited financial report, as they become available. The Company also looks forward to providing a more comprehensive operational update with its financial report.

The Board continues to evaluate and explore opportunities to strengthen the Company's balance sheet and maximise shareholder value.

This announcement has been authorised for lodgement with ASX by the Company's Board of Directors.

--ENDS--

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Atomos' Interactive Investor Hub

Our investor hub is an interactive location to engage with the Atomos team on our announcements and updates. Please go to the Atomos Investor Hub for all market announcements and other news **https://announcements.atomos.com.**

We welcome investors to ask questions and add comments to which our team can respond where possible.

About Atomos:

ATOMOS designs pioneering products that transform the way film and video content is made around the world. From our range of hardware devices for monitoring and recording, easy-to-use software tools, and intelligent cloud services, we engineer best-in-class technologies and create products for the next generation of filmmakers.
Through relentless innovation, we simplify your workflow. Whether you record cinema-quality footage, monitor a scene with crystal clear colour accuracy, switch between multiple cameras, or stream a live event with a portable studio, ATOMOS empowers anyone to realize the best possible version of their creative potential.
ATOMOS is based in Melbourne, Australia, with a distributed worldwide team and offices in the USA, Japan, China, UK, and Germany and has a worldwide distribution partner network.

For more information, please visit www.atomos.com

Annexure "A"

ASX Decision

ASX's formal decision is as follows.

Waiver Decision

1. Based solely on the information provided, ASX Limited ('ASX') grant Atomos Limited (the 'Company') a waiver from listing rule 10.1 to the extent necessary to permit the Company to grant security ('Security') over the asset of the Company in favour of Doma, a substantial (10%+) holder of the company to secure the Company's obligation under the $5,000,000 secured finance facility provided by Doma ('the Facility') without obtaining shareholder approval, on the following conditions: 1.1 the Company releases an announcement to the market that provides:
1.1.1 the material terms of the Facility, the Security and this waiver from Listing Rule 10.1; and

1.1.2 a description of the reasons why the Company has chosen to obtain the financial accommodation from Doma, rather than a lender that is not a Listing Rule 10.1 party and the steps the board has taken to satisfy itself that the transaction is being entered into on arm's length terms and is fair and reasonable from the perspective of the holders of the Company's ordinary securities;

1.2 the Security documents expressly provide that: 1.2.1 the Security is limited to the funds due under the Facility;

1.2.2 the Security will be discharged when the funds due under the Facility have been repaid in full;

1.2.3 in the event the Security is enforced, the assets can only be disposed of to Doma or an associate of Doma if the disposal is first approved by the Company's security holders under Listing Rule 10.1; and

1.2.4 otherwise, if the holder of the Security exercises, or appoints a receiver, receiver and manager or analogous person to exercise, any power of sale under the Security, the assets must be sold to an unrelated third party on arm's length commercial terms and the net proceeds of sale distributed to Doma in accordance with their legal entitlements;

1.3 any variation to the terms of the Facility or the Security which: 1.3.1 advantages in a material respect;
1.3.2 disadvantages the Company in a material respect; or
1.3.3 is inconsistent with the terms of the waiver,

must be subject to security holder approval under Listing Rule 10.1; and
1.4 for each year while they remain on foot, a summary of the material terms of the financial accommodation and the Security is included in the related party disclosures in the entity's audited annual accounts.

2. ASX has considered Listing Rule 10.1 only and makes no statement as to the Company's compliance with other listing rules

Basis for Waiver Decision

Listing Rule 10.1

3. Listed entities are required to obtain the approval of security holders for an acquisition from, or disposal to, a person in a position to exercise influence over the entity of a substantial asset. The votes of security holders who are parties to the transaction, and their associates, are not counted. Listed entities are required to obtain an independent expert's report on the fairness and reasonableness of the transaction and send it to security holders to accompany the notice of security holders' meeting. This rule protects security holders from a value-shifting transaction with a person in a position of influence being undertaken by a listed entity without the disinterested security holders having approved that transaction with the benefit of full information. The rule supplements the related party provision of the *Corporations Act 2001* (Cth) (or, in the case of foreign entities, the related party provisions of the law of their home jurisdiction).

Facts/Reasons for granting the waiver

4. The Company is granted a waiver from Listing Rule 10.1 to enable it to grant the Security in favour of Doma, subject to a number of conditions, including that the Security documents provide that in the event the Security is exercised, neither Doma nor any of its associates are entitled to acquire the assets without the Company first complying with any applicable Listing Rules, including Listing Rule 10.1. This condition provides a sufficient safeguard against value-shifting to the Listing Rule 10.1 party.

Conditions of waiver

The waiver is subject to certain conditions. Under Listing Rule 18.1, these conditions must be complied with for the waiver to be effective.

ASX's power to vary or revoke waiver

It should be noted that under ASX Listing Rule 18.3, ASX may vary or revoke the waiver at any time.

Annexure "B"

Facility Amount	$5,000,000 (inclusive of the existing outstanding principal of approximately $2,900,000). The remaining facility may be used for capitalised interest and for other purposes approved by Doma.
Financial covenants	All existing financial covenants under the Debt Facility will be deleted
Maturity date	31 December 2024
Principal repayment	To be repaid in full at the maturity date (without any scheduled amortisation prior to the maturity date except on the proviso ("**Proviso**") that, if Atomos elects to raise any new equity capital, all unpaid interest that has been capitalised under the Amended Facility and all amortisation amounts deferred under the Amended Facility will become immediately payable (and all further capitalisation and deferral of amortisation will cease) on the date Atomos receives subscription proceeds from the raising of any new equity capital.
Interest rate, payment and calculation	Interest rate at 10.50% p.a. plus the amount by which BBSW exceeds 2.1285% (such adjustment is to be calculated quarterly, and if BBSW does not exceed 2.1285% no adjustment is made). Interest to be capitalised and paid in full on the maturity date (subject to the Proviso, as set out above).
Establishment Fee	$75,000
Terms associated with LR10.1 waiver	Terms consistent with ASX published guidance
Security	Doma will have the benefit of the Arrowpoint Security Interest, which includes an all present and after-acquired property (with exceptions) security interest over the assets of the Company and the Australian subsidiaries, as well as other security interests over assets located outside of Australia.