

ASX RELEASE

31 December 2025

AVA RISK GROUP SECURES STRATEGIC INVESTMENT FROM HALE CAPITAL TO ACCELERATE U.S. EXPANSION

AVA Risk Group Limited (ASX: AVA) ("AVA" or the "Company") is pleased to announce that it has entered into binding agreements with Hale Capital for a strategic investment of up to A\$7.0 million via a Convertible Loan Note and up to A\$5.6 million via associated Warrants (the "Transaction").

The Transaction provides AVA with growth capital and a highly aligned strategic partner to support the Company's U.S. expansion strategy, AVA's largest and most attractive addressable market.

HIGHLIGHTS

- **Maximum funding:** AVA has secured, subject to obtaining shareholder approval, a maximum funding of A\$7m and A\$5.6m respectively pursuant to a secured 4 to 5-year unlisted convertible note financing facility and warrant deed entered into with US-based investment manager, Hale Capital Management and its affiliates (Hale).
- **Convertible Note:** conversion price of A\$0.1234 per ordinary share. The conversion price is a 81% premium to AVA's last closing share price on 30 December 2025.
- **Warrants:** Subject to shareholder approval, AVA proposes to issue 5-year unlisted warrants to raise up to A\$5.6m (if exercised). Exercise price of A\$0.1234 is a 81% premium to AVA's last closing share price on 30 December 2025.
- **Board Appointment:** Hale intends to nominate an experienced industry executive to join AVA's Board of Directors, expected to occur in early 2026.

Strategic Investor – Hale Capital

Hale Capital Management is a U.S.-based investment firm that partners with exceptional leaders to create enduring national security and technology businesses. The firm invests where differentiated products, talented teams and clear end user demand converge with disciplined execution and profitability.

Hale brings:

- Extensive experience supporting companies scaling into the U.S. federal, state and enterprise markets;
- Deep relationships across critical infrastructure owners and operators, telecommunications, utilities and government-adjacent customers; and

- A demonstrated ability to support portfolio companies through go-to-market execution, governance and strategic capital deployment.

AVA views Hale as a long-term strategic partner, aligned with the Company's objective of building a globally relevant critical risk and security technology platform, anchored by a strong U.S. presence. Hale's value creation approach emphasises collaboration, talent augmentation, and hands on operational engagement, supported by a repeatable operating playbook refined through decades of investing across public and private markets. Learn more about Hale here: <https://halecapital.com>

U.S. Expansion Strategy

Hale's investment supports AVA's next phase of growth, including:

- Scaling U.S. commercial and operational capability;
- Accelerating deployment of AVA's Detect, Access and Illuminate solutions across U.S. critical infrastructure markets;
- Leveraging Hale's network to shorten sales cycles and expand customer penetration; and
- Positioning AVA for strategic partnerships and potential bolt-on acquisitions in the United States.

Structure

The Company is pleased to announce that it has entered into a funding agreement with US-based investor, Hale Capital Management and its affiliates, HCP-FVX, LLC and HCP Fund V-FVX, LLC (**Hale**) to establish a A\$7 million secured convertible note financing facility, the key terms of which are set out in Schedule 1 of this announcement (**Convertible Note Facility**). In addition to the Convertible Note Facility, AVA has entered into a warrant deed with Hale in which, subject to obtaining shareholder approval, AVA will issue to Hale up to 45,380,875 unlisted warrants, with each warrant exercisable into one fully paid ordinary share of AVA at an exercise price of A\$0.1234 (**Warrants**) and grant Hale, subject to obtaining shareholder approval in accordance with the ASX Listing Rules, a right (in the alternative to exercise) on the change of control of AVA or expiry of the Warrants to sell (and require AVA to purchase) the Warrants at the 'Put Option Price' per Warrant (a **Warrant Put Option**), the key terms of which are set out below in Schedule 2 of this announcement (**Warrant Deed**).

The financing will be used for AVA's (and its subsidiaries') working capital and general corporate purposes and will fund future growth initiatives, including the expansion of AVA's sales, marketing and operational activities and expansion into US markets.

CONVERTIBLE NOTE FACILITY

Subject to achievement of financial close, AVA will have immediate access to an initial A\$2.98m (**Tranche 1 Commitment**) via the issue to Hale of unlisted convertible notes each with A\$1.00 face value (**Tranche 1 Notes**). AVA proposes to issue the Tranche 1 Notes pursuant to its existing placement capacity.

Subject to obtaining shareholder approval, AVA will have access to a further A\$4.02m by issue to Hale of convertible notes each with A\$1.00 face value (**Tranche 2 Notes**). The Tranche 1 Notes and Tranche 2 Notes (collectively, the **Notes**) will have a maturity date equal to 48 months following financial close, subject to AVA's right to extend maturity for a further 12 months.

Hale will have the right to convert all or a portion of any outstanding amount of the A\$7m facility (including capitalised interest, if any) into fully paid ordinary shares in AVA (**Shares**) at the conversion price of A\$0.1234 per Share, equal to a 81% premium to AVA's last closing share price on 30 December 2025. AVA has the right in certain circumstances to compel conversion of Notes into Shares or repay the facility. The key terms of the Convertible Note Facility are summarised in Schedule 1.

WARRANTS

In connection with the convertible note financing, AVA has entered into a Warrant Deed with Hale, the key terms of which are summarised at Schedule 2 with each Warrant having an exercise price of A\$0.1234, equal to a 81% premium to AVA's last closing share price on 30 December 2025. Pursuant to the Warrant Deed, subject to the achievement of financial close under the Convertible Note Facility, AVA will issue to Hale 19,314,000 Warrants (**Tranche 1 Warrants**) pursuant to AVA's existing placement capacity. Subject to obtaining approval of AVA's shareholders for the purposes of ASX Listing Rules 7.1 and 6.23.2 respectively, AVA proposes to issue a further 26,066,875 Warrants (**Tranche 2 Warrants**) to Hale and grant Hale the Warrant Put Option in respect of the Tranche 1 Warrants and Tranche 2 Warrants.

INDICATIVE TIMELINE

Indicative date	Event
On or prior to 31 January 2026	Financial close pursuant to the Convertible Note Facility
No later than 27 February 2026	Issue of notice of meeting to convene shareholders' meeting in respect of ASX Listing Rules 7.1 and 6.23.2 approvals in connection with the proposed issue of Tranche 2 Notes and Tranche 2 Warrants and grant of the Warrant Put Option
No later than 27 March 2026	Shareholders' meeting to approve issue of Tranche 2 Notes, Tranche 2 Warrants and grant of the Warrant Put Option

David Cronin, Chairman of AVA Risk Group, said:

"Hale is a highly credible and experienced investor with deep connections across the U.S. infrastructure, federal and security markets. Their strategic alignment, experience and network strongly support AVA's ambition to scale in the United States.

This investment strengthens our balance sheet and provides a partner who understands how to build and grow businesses in our target markets."

Martin Hale, Founder and Managing Partner of Hale Capital, said:

"AVA has built a compelling portfolio of technologies addressing the protection of critical infrastructure, assets and environments, areas of increasing strategic importance in the United States.

We were attracted by AVA's strong technical foundations, talented employee base, high gross margins, blue chip reference customers and clear pathway to scale in the U.S. market, and we look forward to working closely with the Board and management team as the business enters its next phase of growth."

Approved for release by the Board of Directors.

For further information, please contact:

Investor Enquiries

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About Ava Risk Group

Ava Risk Group is a global leader in providing technologies and services to protect critical and high value assets and infrastructure. It operates three business segments – Detect, Access and Illuminate. The Detect segment manufactures and markets 'smart' fibre optic sensing systems for security and condition monitoring for a range of applications including perimeters, pipelines, conveyors, power cables and data networks. Access is a specialist in the development, manufacture and supply of high security biometric readers, security access control and electronic locking products. Illumination specialises in the development and manufacture of illuminators, ANPR cameras and perimeter detectors. Ava Risk Group products and services are trusted by some of the most security conscious commercial, industrial, military and government clients in the world. www.theavagroup.com

Schedule 1 Convertible Note Facility – Key terms (all amounts are in AUD)

Funding Commitments	<p>A\$7.0m (Funding Commitment), comprising:</p> <ul style="list-style-type: none"> a first funding tranche of A\$2,979,184.50, issued on achievement of financial close (Tranche 1 Commitment); and subject to obtaining shareholder approval, a second funding tranche of A\$4,020,815.50 (Tranche 2 Commitment).
Conversion Price	Each Note is convertible into ordinary shares of AVA (Shares) at A\$0.1234 per Share, being a 81% premium to AVA's last closing share price on 30 December 2025.
Face Value	A\$1.00 for each Note.
Coupon Rate	<p>The greater of:</p> <ul style="list-style-type: none"> 10.00% per annum; and BBSW Mid plus 6% per annum (the Coupon Rate). <p>BBSW Mid refers to the mid-rate of the Australian Bank Bill Swap Reference Rate for Australian dollars administered by ASX Benchmarks Pty Limited.</p>
Maturity Date	48 months from the date of the first subscription date, with an option for AVA to extend the maturity for 12 months.
Conditions (including shareholder approval condition)	<p>Financial close will not occur and payment of the Tranche 1 Commitment is subject to AVA and its material Australian subsidiaries granting the Security, AVA's entry into the Warrant Deed and other standard conditions.</p> <p>Payment of the Tranche 2 Commitment is subject to AVA obtaining shareholder approval for the issue of the Tranche 2 Notes, the Tranche 2 Warrants and the grant of the Warrant Put Option to be satisfied within 8 weeks of financial close.</p>
Agent Monitoring Fee	A\$17,500 per annum, being 0.25% of the Funding Commitment.
Lock-up Period	<p>The period of 12 months following financial close (Lock-up Period).</p> <p>There may be no conversion of the Notes during the Lock-up Period, unless Hale elects to do so following an early re- or pre-payment by AVA during the Lock-up Period.</p>
Make Whole Fee	Where AVA re- or pre-pays any principal amounts during the Lock-up Period, it must pay Hale a 'Make Whole Fee' equal to the lost coupon Hale would have recovered during the Lock-up Period had such re-/pre-payment not have been made and applying a Coupon Rate equal to the higher of 10.00% per annum and the Coupon on the date of AVA's repayment.
Security	AVA's obligations under the Convertible Note Facility will be secured by AVA and its material subsidiaries, entering into a general security deed with Hale and each material subsidiary providing a guarantee and indemnity in favour of Hale.

	AVA and its material subsidiaries, either prior to or following entry into the Convertible Note Facility (during a conditions subsequent period), have agreed to grant a PPSA security interest over all of their present and after acquired property in favour of Hale.
Repayment	<p>Subject to any extension of the date of Maturity, AVA is to repay any outstanding amounts of the Funding Commitment and any outstanding debt in respect of the Notes on the Maturity Date.</p> <p>The whole of any outstanding amount may be prepaid by AVA during the Lock-up Period, subject to AVA providing Hale with no less than 20 business days' notice and payment of the Make-Whole Fee.</p> <p>After the Lock-up Period, subject to AVA providing no less than 20 business days' notice, AVA may prepay the whole or any part of the outstanding amount, but any part payment must be no less than A\$500,000.</p>
Conversion by AVA	<p>Other than during the Lock-up Period, AVA may require Hale to convert all or part of the outstanding amount into Conversion Shares (Mandatory Conversion), provided that certain conditions are satisfied at the time of the notice, and continue to be satisfied at the time of mandatory conversion, including (among other conditions) that:</p> <ul style="list-style-type: none"> the average volume weighted average sale price of the ordinary shares of AVA (Shares) for the 60 consecutive trading days (or 30 consecutive days in respect of the second and further mandatory conversion notices) immediately preceding the notice exceeds 200% of the Conversion Price, and trading in AVA's ordinary shares is not suspended; no event of default or material adverse effect is subsisting; the aggregate outstanding amount the subject of the mandatory conversion notice, together with all amounts the subject of such notices in the preceding 20 business days, does not exceed 20% of the monthly trading volume in AVA shares immediately preceding the date of the notice or immediately prior to the date of conversion; no other mandatory conversion notice has been issued in the preceding 30 day period; the conversion completion date does not fall within a restricted trading period under AVA's share trading policy; and the conversion will not result in Hale or Hale's associates acquiring "voting power" in breach of takeovers prohibitions under Chapter 6 of the <i>Corporations Act 2001</i> (Cth).
Conversion by Hale	<p>If AVA elects to prepay the whole of the outstanding amount owed to Hale during the Lock-up Period, Hale may convert all or a portion of the Notes into fully paid ordinary shares in AVA (Conversion Shares) at the Conversion Price.</p> <p>Following the Lock-up Period and up to the Maturity Date, or at any time while an event of default is subsisting, Hale may elect to convert all or part</p>

	of the outstanding amount of the Notes into Conversion Shares at the Conversion Price.
Conversion Shares	AVA must ensure any issue of Conversion Shares are listed on the ASX and are freely tradable (either through issue of a Convertible Note Cleansing Notice on issue of the Notes, through cleansing notice, disclosure document or through ASIC exemption).
Adjustment events, anti-dilution rights and most-favoured nations	<p>Subject to compliance with the <i>Corporations Act 2001</i> (Cth) and ASX Listing Rules, the Noteholders are entitled to changes to the Conversion Price and/or issue of additional Notes in respect of reconstruction of AVA's capital or AVA's issue of bonus securities, other than in relation to an issue under any employee incentive plan not exceeding 5% of the total issued capital of AVA in any financial year.</p> <p>AVA must not undertake certain 'Dilution Events' (including an issue of securities at a price below the Conversion Price) other than in relation to an issue under any employee incentive plan not exceeding 5% of the total issued capital of AVA in any financial year.</p> <p>If AVA issues securities with a conversion or exercise price and other terms (including as to board appointment and other rights) considered on a whole to be more favourable than the terms of the 'Note Documents' (which includes the Convertible Note Facility, the Warrant Deed and the Security) (Relevant Securities), it must consult with the Noteholders and Warrant holders (as applicable) and at the request of those holders amend the Note Document(s) to ensure such documents are no less favourable and if prevented by law or ASX Listing Rules from doing so, AVA must obtain Noteholder consent before issuing Relevant Securities.</p>
Board appointment rights	<p>From the date of entry into the Convertible Note Facility until all amounts owed to Hale are repaid, the Noteholders have the right to:</p> <ul style="list-style-type: none"> nominate one non-executive director to the AVA board, and AVA must procure the appointment of that director, subject to compliance with applicable laws, listing rules and corporate governance principles; and appoint two directors to any newly-incorporated Special Security Agreement (SSA) entity. An SSA is a US-incorporated subsidiary, owned by AVA as a foreign parent, that is approved to perform classified US intelligence or defence work, operating under a Special Security Agreement that protects US national security interests while allowing foreign ownership.
Board observer rights	While any amount is owing from AVA to Hale, a representative of Hale is entitled to attend and observe (but not vote) at all meetings of the Board and receive Board materials, subject to appropriate exceptions, including for confidentiality and conflicts.
Representations, warranties and undertakings	AVA has provided Hale with customary representation, warranties and undertakings, allowing AVA in some circumstances to cure breaches.
Financial covenants	AVA is to comply with cash covenant requirements at all times. Covenants are tested on a monthly basis.

Consequences of an Event of Default	<p>While any event of default is subsisting, an additional 5% per annum is payable on top of the Coupon Rate.</p> <p>For a subsisting event of default, Hale also has the rights to:</p> <ul style="list-style-type: none"> • declare that all or part of the secured financing is immediately due and payable; • declare that all or part of the secured financing is payable on demand; • cancel all, or part, of the Commitments, effective immediately; or • terminate some or all of its obligations.
Transferable	<p>Noteholders may transfer the Notes:</p> <ul style="list-style-type: none"> • to any person without AVA's consent during an unremedied event of default of AVA or any AVA group member guarantor; • to a related body corporate, provided the proposed transferee is not a competitor of AVA, nor a sanctioned person nor other excluded class of transferee (Excluded Transferee); or • to any other person who is neither a related body corporate nor Excluded Transferee, subject to AVA's consent.
Governing law	Victoria, Australia

Schedule 2 Warrant Deed – Key terms

Issue Price	Subject to shareholder approval, the Warrants will be issued to Hale for nil consideration.
Issue Dates	<p>Subject to the achievement of financial close under the Convertible Note Facility, AVA will issue to Hale 19,314,000 Warrants (Tranche 1 Warrants) pursuant to AVA's existing placement capacity.</p> <p>Subject to (and within 5 business days of) obtaining approval of AVA's shareholders under ASX Listing Rule 7.1, AVA proposes to issue a further 26,066,875 Warrants (Tranche 2 Warrants).</p>
Exercise Price	Each Warrant is exercisable at A\$0.1234, equal to a 81% premium to AVA's last closing share price on 30 December 2025.
Who can exercise the Warrants?	Each Warrant can be exercised by its holder.
Exercise	Subject to cashless exercise, each Warrant is exercisable into one fully paid ordinary share of AVA (Share) at the Exercise Price.
Cashless exercise	<p>A Warrant holder may elect to exercise Warrants by cashless exercise (provided neither the Warrant holder nor its related bodies or associates acquired Shares in the last 10 business days) by applying the formula:</p> $S = W \times \frac{(V - EP)}{V}$ <p>Where:</p> <p>S = the number of Warrant Shares to be issued on cashless exercise</p> <p>W = no. of Warrants being Exercised</p> <p>V = Average VWAP for the trailing 10 business day period ending on the business day immediately prior to the date on which the Warrant was exercised</p> <p>EP = the Exercise Price.</p> <p>Average VWAP is the arithmetic average for each trading day in the applicable period of the daily volume weighted average sale price of Shares sold in the ordinary course of trading on ASX, excluding special crossings.</p>
Exercise Period and Expiry Date	Each Warrant expires 5 years after the issue date (i.e. each Warrant has a 5 year exercise period), upon the expiry of which, subject to obtaining AVA shareholder approval for the grant of the Put Option, any unexercised Warrants must be bought back by AVA at the Put Option Price per Warrant.
Cancellation of Warrants	AVA may cancel Warrants held by a Noteholder prior to the exercise of a Warrant where:

	<ul style="list-style-type: none"> the Noteholder (or its transferee) fails to pay any funding Commitment under the Convertible Note Facility; or where any of the Notes (or any funding Commitment) are cancelled, suspended or need to be repaid (as applicable) in order to comply with applicable laws.
Anti-dilution adjustments	<p>Each Warrant is subject to standard adjustment and anti-dilution provisions (which may adjust either the Exercise Price and/or the number of Shares that may be issued on exercise of a Warrant, as applicable), provided that such adjustments are in accordance with the ASX Listing Rules (Standard Adjustments).</p> <p>AVA is also prevented from undertaking certain 'Dilution Events' without Warrant holder consent unless the Exercise Price and/or number of Warrants is automatically adjusted pursuant to the Standard Adjustments.</p>
Quotation of Warrants and Shares	<p>Each Warrant will not be quoted on the ASX.</p> <p>AVA will apply for quotation on the ASX of each Share issued on exercise of a Warrant.</p>
Rights of exercise; AVA obligations on exercise; AVA liability for failure to issue Shares	<p>A Warrant holder may exercise all or part of its Warrants (subject to certain restrictions) provided that at least 5,000,000 are exercised on each occasion or where a Warrant holder holds less than 5,000,000 Warrants, all of its Warrants are exercised.</p> <p>AVA must ensure Shares issued on exercise of Warrants are able to be freely traded in accordance with the ASX Listing Rules and <i>Corporations Act 2001</i> (Cth).</p> <p>If AVA fails to issue Shares following exercise in accordance with the Warrant Deed, AVA must reimburse the Warrant holder for brokerage fees and the difference in price at which the Warrant holder purchase Shares on market and at the Warrant-holder's, election, deliver outstanding Shares or reinstate the value of exercised Warrants for which no Shares were issued.</p>
Put Option	<p>Where, subject to obtaining AVA shareholder approval for the grant of the Put Option:</p> <ul style="list-style-type: none"> (a) any Warrant is not exercised prior to the Expiry Date; (b) on a 'Change of Control' of AVA (which includes if 50.1% of the Shares are acquired under a takeover bid or a scheme of arrangement in respect of AVA); or (c) 1 month prior to the Expiry Date, <p>in the case of (a) with immediate effect and in the case of (b) or (c) by notice from the Warrant holder to AVA, AVA must purchase from the Warrant holder all remaining Warrants (in the case of (a)) or the specified number of Warrants (in the case of (b) or (c)), in each case for the Put Option Price per Warrant.</p>
Put Option Price	<p>A\$0.0315 per Warrant, or where financial close under the Convertible Note Facility does not occur by 31 January 2026, another amount determined by the Warrant holder and AVA, in each case subject to permitted adjustment</p>

	in accordance with the Warrant Deed and permitted under the ASX Listing Rules.
Dividend and other rights	<p>Unless and until Warrants are exercised and Shares issued, the Warrants do not confer rights:</p> <ul style="list-style-type: none"> to receive notices of general meeting or to attend and speak at or vote at general meetings (unless required by law); to receive or participate in dividends; or to participate in new issues of securities made to Shareholders, <p>and following exercise of a Warrant and issue of Shares, such Shares will be quoted on the ASX and will rank equally in all respects with other fully paid ordinary shares of AVA.</p>
Transferability	Warrants are transferrable, provided that each transfer must relate to at least 5,000,000 or more Warrants (and no less) on each occasion unless the Warrant holder holds fewer than 5,000,000 Warrants in which case it may transfer all (and not less than all) of its Warrants.
Governing law	Victoria, Australia

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