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The Manager
Company Announcements Office
ASX Limited
Level 27
39 Martin Place
Sydney NSW 2000

Investor Update

Finexia Financial Group Limited (ASX: FNX) ("Finexia" or "the Company") provides shareholders and investors with the following update on a number of developments affecting the Group since 31 December 2025.

Update on Accounts and Reclassification as an Operating Entity

The Company notes that the finalisation of its accounts for the period ended 31 December 2025 (half yearly) and 30 June 2026 (full year) continue to be delayed due to complexities that have arisen following events related to the Company's enforcement of its security over a series of defaulting loans, as previously advised to shareholders.

Following extensive discussions with the Company's auditors which remain ongoing, the current view is that for accounting purposes, Finexia is to be reclassified as an operating entity. This is a direct consequence of the Company enforcing its security over a series of defaulting loans within its childcare lending portfolio during 2025, and is not the result of any strategic decision by the Company to acquire or operate childcare businesses. As previously disclosed to the market, Finexia moved to enforce its security position following borrower defaults, and as a result assumed control of a number of childcare assets that had been pledged as collateral for those loans. The Company's exposure to these assets is therefore the outcome of a legal enforcement process that was outside the Company's control, rather than a change in investment strategy or business model.

The Group's newly appointed auditor, Pitcher Partners Sydney, has determined that, as a consequence of this enforcement activity, Finexia no longer qualifies for the investment entity exemption under AASB 10 Consolidated Financial Statements. The Company will accordingly be classified and reported as an operating entity for the purposes of its consolidated financial statements going forward, rather than as an investment entity.

The Company notes that its enforcement of security over the relevant loans, and its resulting exposure to childcare assets held as collateral, was disclosed to the market as these matters progressed during the relevant reporting periods. Finexia has also previously advised shareholders of its intention to divest non-core and non-material parts of its business as part of the orderly management of its loan book. Accordingly, the Company does not consider that any material information relating to these matters remained undisclosed prior to the AASB 10 classification assessment, which is an accounting determination that has only crystallised following completion of the audit review process referred to above.

The Company and its financial advisers, are working to restate the Group's accounts and prepare financial statements that comply with AASB 10. The reclassification has required the Company to go back and restate two full years of financial statements, rather than adjusting the current reporting period alone. This has involved consolidating a significant number of assets and liabilities that had previously been accounted for as investments in the Finexia accounts, rather than being audited and consolidated on a line-by-line basis as required for an operating entity. This represents a substantial body of accounting and audit work and is the principal reason for the prolonged delay in finalising and releasing the Company's 31 December 2025 half year accounts. The reclassification is expected to have a material impact on the presentation and measurement of the consolidated financial statements. The Company acknowledges the extended timeframe this has taken and is working to finalise this process as expeditiously as possible. Shareholders will be updated as this process progresses.

Executive team update

The Company has recruited and appointed Peter Wall to the senior executive role of Group Chief Financial Officer. Peter is an experienced financial controller with extensive experience in the childcare industry, and has proven to be a valuable contributor to the Group since commencing in the role, particularly as the Company progresses its pivot towards operating childcare businesses.

Receivership of Borrower – Childcare Portfolio Exposure

On 27 February 2026, a borrower within the Group's childcare lending portfolio, Orchard Early Learning, was placed into receivership. Finexia appointed Worrells as receiver to protect the Group's interests, including its first ranking secured position. The Group's total credit exposure to this borrower is approximately $24 million, secured against childcare assets independently valued at $36 million as at December 2025 (Knight Frank, December 2025 valuation).

Following the receivership appointment, Finexia's recovery subsidiary, Shared Beginnings Pty Ltd, assumed operational control of the underlying childcare businesses. Shared Beginnings is working collaboratively with the receivers to enforce the Group's security position through a proposed business sale agreement, under which Finexia will take ownership of six childcare assets and other pledged security in consideration for a partial debt release.

Based on current independent valuations and trading conditions at the Orchard centres, the Directors have determined it prudent to account for an impairment of the Group's secured position. The ultimate recovery amount remains subject to the outcome of the receivership process and execution of the business sale agreement.

Wind-Down of the Finexia Childcare Income Fund (ARSN 658 543 625)

Finexia Securities Limited, as Responsible Entity for the Finexia Childcare Income Fund, has resolved to wind down the Fund. All normal investment and operational activities of the Fund have been suspended while the Responsible Entity progresses an orderly realisation of Fund assets, which include receivables and, as a consequence of the Orchard receivership referred to above, childcare businesses previously held as security for those receivables.

The Responsible Entity is working to realise Fund assets and return capital to investors. Given the illiquid nature of the underlying assets, no definitive timeline for completion of the wind-down has been established at the date of this announcement. The Responsible Entity continues to communicate directly with Fund investors as the realisation program progresses.

Cessation of Lending Operations

The Company has ceased all new lending activities and entered into agreements with its wholesale financiers, IAM and GCI, to run off and amortise all existing receivables in the loan book on an agreed accelerated basis.

This accelerated amortisation program is underway and substantially progressed. The Group's loan book has materially run off and the Company will provide further updates on progress as new information becomes available, with a comprehensive market update expected following the release of the full 30 June 2026 results.

Divestment of Stay Company Income Fund (Stayco)

Finexia Securities Limited, as trustee of the Stay Company Income Fund (Stayco), an unregistered wholesale managed investment scheme, has undertaken an extensive review of its holding in the Fund and resolved to sell selected assets to reduce the Fund's overall gearing. One Brisbane-based Fund asset has been divested earlier this month, and a further Brisbane-based asset is under contract (unconditional) and slated for settlement in early October.

Thereafter, Finexia will divest its entire unitholding in Stayco, comprising 20,696,027 units (approximately 70.18% of units on issue), by way of a unit transfer and equity-for-debt swap rather than a sale of the Fund's underlying property assets. The divestment comprises a 1-for-1 bonus issue of 5,611,522 Stayco units to the Fund's external unitholders, in lieu of a previously mooted broad-based buyback program, together with a debt-for-equity swap under which Finexia's remaining 15,084,505 Stayco units are transferred to two current liability loan holders in full and final satisfaction of $10.0 million of liability loans owed by Finexia ($9.25 million and $0.75 million).

On completion, Finexia will hold no units in Stayco (reduced from 71.8% to nil), the $10.0 million of liability loans will be extinguished in full, and Finexia's balance sheet will carry no exposure to Stayco's $16.1 million senior secured debt facility (CBA & BOQ). The transaction remains subject to confirmation of the valuation basis and completion of legal sign-off, transfer and release documentation, with completion targeted by the end of September 2026.

Sale of Finexia Wealth Pty Ltd

As previously disclosed to shareholders and the market, the Company has been pursuing the divestment of non-core assets, including its securities trading business, Finexia Wealth Pty Ltd. The Company entered into a business sale agreement for the sale of Finexia Wealth Pty Ltd, including its Australian Financial Services Licence and client list, for consideration of $500,000. The transaction completed on 30 June 2026.

Enforcement and Mortgagee Sale of Security – InterLink

In February 2026, the Company moved to enforce its security over a parcel of land held as collateral for a loan in default owed by borrower, InterLink. A mortgagee sale of the secured asset was conducted, and a buyer was successfully secured. The settlement of the sale occurred on 4 September 2026, with the Company realising the proceeds to meet its current and ongoing obligations.

Other than the matters described above, the Directors are not aware of any other matter or circumstance, not otherwise dealt with in this announcement, that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group. The Company will continue to keep shareholders informed in accordance with its continuous disclosure obligations.

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Authorised for release by the Board of Directors of Finexia Financial Group Limited.

Further information, please contact:

Neil Sheather
Chief Executive Officer and Managing Director
Ph. 1300 886 103