

10 April 2024

Dear Shareholder

Share purchase plan

On behalf of the Board of AVA Risk Group Limited ACN 064 089 318 (ASX: AVA) (**AVA** or **Company**), I am pleased to offer you the opportunity to purchase up to \$30,000 in additional shares in AVA under this share purchase plan (**SPP**).

The SPP forms part of a broader capital raising announced by the Company on 28 March 2024, comprised of a placement to raise \$3 million (**Placement**) and this follow on SPP.

The SPP will be available to shareholders who are on the Company register at 7.00pm (Sydney time) on 8 April 2024 (**Record Date**), and having a registered address in Australia or New Zealand (**Eligible Shareholders**).

The SPP gives Eligible Shareholders the opportunity to purchase additional shares in AVA at \$0.13 per share (**Issue Price**), which represents a discount of:

- 18.8% to the closing price on 26 March 2024 (\$0.160), being the last trading day prior to the announcement of the SPP;
- 16.4% to the 5-day VWAP up to 26 March 2024 (\$0.156); and
- 18.0% to the 10-day VWAP up to 26 March 2024 (\$0.159).

The Issue Price is the same as the price of new Shares issued under the Placement.

The SPP is targeting to raise up to \$1 million, however the Company reserves the right to raise more or less than this amount in its absolute discretion. The Board also reserves the right to close the SPP early or extend the SPP at its absolute discretion.

There are no transaction costs or brokerage costs to participating shareholders.

Included with this letter is the following material which aims to address any questions you may have about the SPP:

- an investment overview, which includes details on pricing, the timetable, intended use of funds and key risks of an investment in the Company;
- SPP terms; and
- an application form.

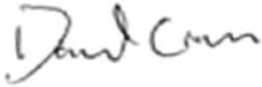
Information about AVA is available at www.theavagroup.com, which should be considered in conjunction with the Company's continuous disclosure to ASX.

The SPP will close on Tuesday, 30 April 2024 at 5.00pm (Sydney time). If you wish to participate in the SPP your application must be received by the closing date. AVA reserves its right to close the SPP early.

If you have any questions about the SPP, please contact the Share Registry on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia) between 8.30am and 5.00pm (Sydney time), Monday to Friday.

The board encourages you to consider this opportunity and thanks you for your continued support.

Yours faithfully



Mr David Cronin
Chairman
AVA Risk Group Limited

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AVA investment overview

Offer details

Issue Price	\$0.13 per share
Application Amount	Minimum of \$10,000 (Minimum Application Amount) with staged increments of \$10,000 up to a maximum of \$30,000
Record Date	7.00pm (Sydney time) on 8 April 2024
Closing Date	5.00pm (Sydney time) on Tuesday, 30 April 2024
Allotment Date	3 May 2024
Quotation Date	3 May 2024

AVA may change any of the above key dates at its discretion (even if the offer has opened or applications have been received).

Intended use of funds

The proceeds raised from this SPP will go towards supporting the execution of the Company's recently announced contract wins, including working capital to support the sale of units, dedicated support resources and infrastructure to respond in accordance with contract requirements and ongoing product development. Funds will also be applied to fund large scale Detect programs.

Risks

Before making an investment decision, you should read the SPP terms set out below. AVA considers that the major risks of an investment in AVA include that:

- (a) **Relationships with key customers and suppliers** - Although AVA has a diverse customer base, there may be a material adverse effect on AVA's financial position and performance if a number of high value customers experience difficulties or do not perform to expectations, or if their contracts were terminated or these relationships did not continue;
- (b) **Management of future growth** – AVA aims to continue to increase employees, its offices and the scope of its supporting infrastructure, increasing AVA's new and increased responsibilities for AVA's management. There is an ongoing risk AVA will not be able to, or will have insufficient budget to, attract and retain appropriate staff to meet future requirements;
- (c) **Regulatory changes** - changes in law, regulations or industry or government bodies' policies and practices may have adverse impacts on AVA's financial position or performance;
- (d) **Competition** – other companies sell security intrusion detection solutions for perimeters, pipeline and network applications, either based on fibre-optics or on different technologies. AVA expects to face competition from such organisations, which could result in margin reductions, underutilisation of employees, reduced operating margins or loss of market share;
- (e) **Export licence** – AVA has a Defence Export Controls Outreach program (DECO) export licence. If that licence was terminated it would severely restrict the ability of AVA to operate. AVA have no reason to believe that the licence will be revoked or have conditions attached to it that would be capable of impacting adversely on the operations of AVA;

- (f) **Termination of material contracts** – a number of existing contracts are in place which are material to AVA’s business, with many of these contracts being, or to be, governed by laws other than Australia. There may be difficulties in enforcing contracts in jurisdictions other than Australia, including regulatory or practical considerations which frustrate the enforceability, or enforcement, of such contracts against foreign or foreign-owned counterparties. AVA is also exposed to the potential of third party insolvency;
- (g) **Cancellation or delay of infrastructure projects** – AVA’s products are often specified by System Integrators as part of a tender in large construction or installation projects. The cancellation or delay of a project where AVA has been specified as the security system provider could have adverse implications on AVA’s expected revenue. This risk is mitigated by the fact that the cancellation of a project would free up financial resources necessary to pursue other sale opportunities for other projects;
- (h) **Product liability** – AVA’s contracts with its clients generally contain provisions drafted to limit AVA’s exposure to product liability claims. However, it is possible that the limitation of liability provisions may not be effective in certain jurisdictions. There can be no assurance that AVA will not be subject to such claims;
- (i) **Intellectual property** – AVA has patents and trademarks protecting some of its intellectual property. Know-how contained in confidential documentation and software code associated with AVA’s intellectual property may be appropriated by a third party to the detriment of AVA. There are risks associated with theft or misuse of the source codes which could materially impact AVA’s business. AVA’S confidential engineering documentation and proprietary source codes are protected by restricted access of internal networks and hard copy documentation;
- (j) **Exchange rates** – as AVA operates internationally and, in several currencies, fluctuations in prevailing exchange rates will affect AVA’s profitability and financial position;
- (k) **Global nature** – AVA’s operations may be adversely affected by risks associated with operating in other jurisdictions, which may impact on its ability to grow the business in overseas markets. As suppliers of security solutions, AVA are subject to oversight and approval by the Australian Government’s Department of Defence’s Defence Export Controls, and AVA can be restricted in countries and companies that it can sell to;
- (l) **Supply chain risks** – AVA sources several key technology components such as laser and optical devices, and some complete products that make up its total solution. These devices are manufactured by third parties, which also manufacture devices for other companies through their own direct channels. These devices contain electronic components used in other devices for businesses with more purchasing power than AVA. The global supply chain of these components therefore has limitations and demand for these components continue to grow, having the ability to disrupt or delay device orders made by AVA. This would likely have a material adverse effect on AVA’s ability to generate revenue and grow its business; and
- (m) **Litigation and disputes** – industrial, legal and other disputes may arise in the ordinary course of operations for AVA. The financial performance of AVA could therefore be impacted where there are costly disputes or litigation which arise.

Past performance is not necessarily a guide to future performance of the Company.

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AVA Share purchase plan terms

Offer

AVA Risk Group Limited ACN 064 089 318 (**Company**) is offering Eligible Shareholders the opportunity to purchase up to A\$30,000 of fully paid ordinary shares in the capital of the Company (**Shares**) by way of a share purchase plan (**SPP**), without incurring brokerage.

The price per Share under the SPP (**Issue Price**) being offered is \$0.13.

The SPP is being conducted under *ASIC Corporations (Share and Interest Purchase Plans) Instrument 2019/547 (ASIC Instrument)*.

How do I accept

To participate, you should pay the Application Amount via BPAY so that payment is received by **5.00pm (Sydney time) on Tuesday, 30 April 2024**.

BPAY instructions are set out on the application form. If you use BPAY, you do not need to return your application form. Please make sure you use the specific biller code and unique reference number on your personalised application form. Your financial institution may implement earlier cut-off times for electronic payment. You should take this into consideration when making payment.

Eligible Shareholders may subscribe for any one of the following parcels (subject to any scale back described below):

	Subscription Amount	Shares to be allotted (calculated at the Issue Price)
Minimum application	\$10,000	76,923
	\$20,000	153,846
Maximum application	\$30,000	230,769

The Company may choose to accept applications outside the prescribed parcel sizes at their absolute discretion.

Importantly, while participation in the plan is optional, once applications are submitted, they cannot be withdrawn.

The Company's market price may vary at any time during the offer period and the Company's shares may trade at a price that is lower than the Issue Price.

By accepting the SPP offer, you accept the risk that the market price of the Company's shares may fall below the Issue Price between the date of this offer and the Allotment Date, in which case you may have been able to buy the Shares at a lower price than the Issue Price.

By making an application, you represent to the Company the matters set out under the heading 'Your representations' in these terms and in the application form.

How many shares

Eligible Shareholders receive the number of shares equal to the Application Amount (subject to any scale-back) divided by the Issue Price. Fractions will be rounded down, and the difference (being any amount less than the Issue Price) may be retained by the Company.

The Issue Price does not exceed the limit prescribed by the ASX Listing Rules and the ASIC Instrument.

Shares issued under the SPP may be sold or transferred on ASX at any time after the Quotation Date.

Eligibility to participate

Participation in the SPP is optional. The offer is open to all shareholders with a registered address in Australia or New Zealand as at the Record Date.

The Company has determined that it is impractical for the SPP to be offered to a shareholder whose address on the register of

members is a country outside of Australia or New Zealand.

Participation in the SPP by acceptance of the offer:

- (a) is optional for Eligible Shareholders; and
- (b) is subject to these Terms and Conditions.

Multiple holdings

If you are the only registered holder of Company shares, but you receive more than one offer under the SPP (for example, due to multiple registered holdings), you may only apply in total for a maximum of \$30,000 worth of shares.

Joint holders

If you are a joint holder of Company shares, that holding is considered to be a single registered holding for the purpose of the SPP. You are entitled to participate in the SPP for that single holding only. If you are a joint holder and you receive more than one offer under the SPP, you may only apply in total for a maximum of \$30,000 worth of shares.

Trustee or nominee

If you are noted on the Company's share register as a trustee or nominee for a named beneficiary, you may only apply for one maximum parcel of shares for each named beneficiary. If the Company's share registry does not record a named beneficiary for your trustee or nominee holding, the rules for multiple single holdings apply.

Custodians

If you are a custodian within the definition of 'custodian' in the ASIC Instrument (as varied) and hold Company shares for one or more persons (each a **Participating Beneficiary**), or for another custodian of Company shares, you may apply for up to a maximum of \$30,000 worth of shares for each Participating Beneficiary, subject to providing the Company a 'custodian certificate' in addition to the application form, which certifies matters required by the ASIC Instrument (as varied).

Please contact the share registry to obtain the form of the custodian certificate.

Directors

Directors of the Company who are Eligible Shareholders may participate in the SPP.

Scale-back

The Company may, in its absolute discretion, scale-back applications under the SPP.

Factors that the Company may take into account in determining any scale-back include:

- (a) compliance with regulatory requirements;
- (b) the amount applied for by each shareholder;
- (c) the number of shares held at the Record Date; and
- (d) if the shareholder remains on the register at the Closing Date.

The Company may scale-back applications below the Minimum Application Amount. Scale-back decisions are made by the board and are final.

If a scale-back occurs, the difference between the value of the shares allotted and the Application Amount paid to the Company (only where the amount is greater than the Issue Price) will be refunded by cheque and mailed to you as soon as practicable following the Allotment Date. Any scale-back will be announced on the Allotment Date. No interest will be paid on any Application Amount paid or refunded.

ASX quotation

After shares are issued and allotted under the SPP, the Company will apply to ASX for quotation of the shares on the Official List and send an allotment notice to each Eligible Shareholder's registered address.

No costs

Eligible Shareholders may subscribe without incurring brokerage costs, commission or other transaction costs.

The Company's rights

The Company may reject any application for shares under the SPP if:

- (a) it considers that the application does not comply with these terms;
- (b) you are not an Eligible Shareholder;
- (c) the application form has not been properly completed; or
- (d) there are grounds for believing that the applicant is not acting in good faith.

The Company may modify, suspend or cancel the SPP at any time. If the Company does this it will notify ASX. If the SPP is cancelled, the Application Amount will be refunded without interest. Neither the Company nor the board accepts or assumes any liability to shareholders because of the variation, suspension or termination of SPP.

The Company may settle, at its discretion in any manner it deems fit, any anomalies or disputes in connection with the SPP and that decision is conclusive and binding on all applicants. The Company reserves the right to waive strict compliance with these terms.

Your representations

By completing and returning the application form or by making a BPAY payment, you:

- (a) certify to the Company that you are an Eligible Shareholder;
- (b) authorise the Company (and its officers and agents) to correct any error in, or omission from, your application form;
- (c) accept the risks of the delivery of any refund to you;
- (d) acknowledge that the Company may at its discretion determine that your application form is valid, even if the application form is invalid;
- (e) irrevocably and unconditionally agree to these terms; and

- (f) acknowledge that the Company is not liable for any exercise of its discretions referred to in these terms.

Other information

The Offer is non renounceable, which means that you cannot transfer your right to purchase shares under the SPP to anyone else. Shares issued under the SPP will rank equally in all respects with existing fully paid shares.

This document is not an offer of securities in any place outside Australia or New Zealand and does not take into account your individual investment objectives, financial situation or particular needs. An investment in the Company is speculative. Therefore, you should obtain independent financial and taxation advice before making an investment decision.

General

The Company may determine, in any manner it thinks fit, any disputes or anomalies which arise in connection with or by reason of the operation of the SPP, whether generally or in relation to any Eligible Shareholder or application for Shares. The decision of the Company will be conclusive and binding on all persons to whom the determination relates.

The Company reserves the right to waive compliance with any provision of these Terms and Conditions, to amend or vary these Terms and Conditions and to suspend or terminate the SPP at any time.

Any amendment, variation, suspension or termination will be binding on all Eligible Shareholders even where Eligible Shareholders are not notified of that event.

If an application form is incomplete, contains errors or is otherwise invalid or defective, the Company may, in its sole discretion, accept, reject, correct or amend the application, issue such number of Shares to the applicant shareholder as it considers appropriate, refund the application money, or take any combination of these actions. Any refund will be paid to the applicant shareholder shortly after the close of the SPP. The Company's rights and discretions under the SPP may be exercised by the Company's directors or any delegate of the Company's directors. To the extent permitted by

any applicable law, the Company is not liable for any exercise of its discretions under the SPP.

None of the Company nor its related bodies corporate and affiliates and their respective directors, officers, partners, employees, representatives, agents, consultants or advisers guarantees the performance of the Company.

Questions

Any questions in respect of the SPP should be directed to the Share Registry on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia).