



30 June 2021

Debt Facility Update – Amendment Agreement

Highlights:

- CLB enters into a Debt Facility Amendment No 1 Agreement with Venture Lending & Leasing IX Inc (“VLL”) to amend the terms of the WTI Debt Facility announced on 14 April 2021.
- CLB would issue 8,942,168 fully paid Shares to VLL’s parent company, Venture Lending Leasing IX, LLC, (“VLL LLC”) at a deemed issue price of A\$0.145 per Share for nil consideration by no later than 15 August 2021, subject to the Company obtaining any necessary shareholder approval. This values the Shares at A\$1,296.614.
- Subject to Shareholder approval, the issuance of the Shares will remove the obligation of the Company to grant the Warrant and to pay the Success Bonus of US\$2 million and the Break Fee.
- If the Company fails to issue the 8,942,168 Shares to VLL LLC by 15 August 2021, then (i) the Shares will not be issued; (ii) the obligation to grant the Warrant and to pay the Success Bonus and Break Fee shall remain in force; (iii) the time to obtain shareholder approval for the grant of the Warrant will be extended from 31 August 2021 to 30 September 2021; (iv) if the shareholder approval is obtained by the extended timeframe, then the Company will issue the Warrant to VLL LLC, and no Break Fee will be payable to VLL LLC; and (v) if the Company fails to obtain shareholder approval for the grant of the Warrant by the extended timeframe, then the Company will be liable to pay the Break Fee and/or Success Bonus to VLL LLC as per the original terms of the WTI Debt Facility.

Melbourne, Australia – Candy Club Holdings Limited (ASX: CLB) (“Candy Club”, “CLB” or “the Company”) announces that it has entered into a Debt Facility Amendment No 1 Agreement (“**Amendment Agreement**”) with VLL, to amend the terms of the debt facility secured from VLL as announced on 14 April 2021 (“**WTI Debt Facility**”).

VLL is a part of a leading Silicon Valley equity/debt venture firm, Western Technology Investment.

It is noted that of the US\$7.5 million WTI Debt Facility, the sum of US\$5 million was drawn down in April 2021, with the remaining US\$2.5 million available for drawdown if the Company meets the key performance indicators by August / September 2021. These key performance indicators include reaching agreed B2B revenue projections and not exceeding agreed operating expenditure.

Original terms of WTI Debt Facility that are the subject of the amendments

Under the original terms of the WTI Debt Facility (as announced on 14 April 2021), the Company was to grant a warrant (“**Warrant**”) to purchase up to A\$1,959,990 worth of either: (i) ordinary shares in CLB (“**Shares**”); or (ii) shares in a subsequent financing round undertaken by the Company, on the following key terms:

- (a) the Warrant was to be granted to VLL LLC, the parent company of VLL;
- (b) the Warrant was exercisable at A\$0.237 per Share, or at subsequent round prices if exercised at that time;
- (c) the value of the Warrant exercisable into Shares is to vest 50% upon closing and 50% ratably on draws made under the WTI Debt Facility, subject to the Company obtaining any necessary shareholder approval for the grant of the said Warrant;
- (d) the Warrant would expire on 31 October 2026;

- (e) VLL could exchange the Warrant for a Success Bonus of US\$2 million upon the Company undergoing a change of control event or on expiry of 30 June 2026 if the Warrant was not exercised by that time; and
- (f) If shareholder approval for the grant of the Warrant was not obtained by 31 August 2021, VLL shall be entitled to be paid, in cash, a Break Fee (in lieu of the Warrant up to an estimated amount of US\$2.1 million (assuming full US\$7.5 million advanced)), and/or the Success Bonus.

Amendments to WTI Debt Facility

The Amendment Agreement seeks to amend the terms of the WTI Debt Facility such that:

- (a) the Company would issue 8,942,168 fully paid Shares¹ to VLL LLC for nil consideration by no later than 15 August 2021, subject to and upon the Company obtaining any necessary shareholder approval required by the ASX Listing Rules and/or the Corporations Act; and
- (b) the obligation of the Company to grant the Warrant and to pay the Success Bonus and the Break Fee, as originally provided for as part of the WTI Debt Facility, will be removed and replaced by the issuance of 8,942,168 Shares to VLL LLC; and
- (c) in the event that the Company fails to issue 8,942,168 Shares to VLL LLC by 15 August 2021 for any reason (including, as a result of the Company failing Shareholder approval for their issuance), then:
 - (i) the 8,942,168 Shares will not be issued;
 - (ii) the obligation to grant the Warrant and to pay Success Bonus and Break Fee shall remain in force, subject to the amendment detailed in paragraph (iii) below;
 - (iii) the time by which the Company must obtain shareholder approval for the grant of the Warrant will be extended from 31 August 2021 to 30 September 2021;
 - (iv) if the Company obtains Shareholder approval for the grant of the Warrant by 30 September 2021, then the Company will issue the Warrant to VLL LLC, and no Break Fee will be payable to VLL; and
 - (v) if the Company fails to obtain Shareholder approval for the grant of the Warrant by 30 September 2021, then the Company will be liable to pay the Break Fee and/or the Success Bonus to VLL, as provided for in the original terms of the WTI Debt Facility.

If Shareholder approval is obtained, the 8,942,168 Shares will be issued at the deemed issue price of A\$0.145 per Share, for which no cash consideration will be paid to the Company and the Shares will not be subject to voluntary escrow. The shares to be issued to VLL LLC equate to approximately 2.5% of the total issued shares of the Company.

Subject to the above, the other terms of the WTI Debt Facility, as set out in the Company's announcement on 14 April 2021, remain unchanged.

The Company will be seeking shareholder approval for the issuance of 8,942,168 Shares to VLL LLC at its upcoming Annual General Meeting.

The Company considers that, subject to shareholder approval being obtained, issuing the 8,942,168 Shares to VLL LLC, in place for the obligation to grant the Warrant and to pay the Success Bonus and the Break Fee, will remove any uncertainty on the Company's cash and working capital commitments under the original Warrant structure of the WTI Debt Facility where Success Bonus and/or Break Fee could be payable.

This announcement has been approved for release by the Company's Board of Directors.

¹ The Shares would be issued at a deemed issue price of A\$0.145 per Share (valuing the Shares at a total of A\$1,296.614)

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About Candy Club

Candy Club Holdings Limited (Candy Club) is a leading specialty market confectionery company which operates a business-to-business (B2B) and business-to-customer (B2C) segment in the United States of America. Broadly, confectionery encompasses sugar confectionery, chocolates and gum.

Founded in 2015 by serial entrepreneur Keith Cohn, Candy Club executes an omnichannel strategy with a vision to become the world's leading specialty market confectionery company.

Candy Club is headquartered in Los Angeles, California, United States.