

ASX ANNOUNCEMENT

24 April 2023

General Meeting of Candy Club Holdings Limited
ACN: 629 598 778
to be held on 25 May 2023 at 11.00 a.m. (AEST)

Dear Shareholder,

You are invited to attend the General Meeting of the shareholders of Candy Club Holdings Limited (**Company**) (ASX: CLB) to be held on Thursday 25 May 2023 at 11.00 a.m. (AEST) at:

Level 2, 350 Kent Street, Sydney NSW 2000

In accordance with Section 110D(1) of the Corporations Act 2001 (Cth), the Company will not be sending hard copies of the Notice of meeting (**Notice**) to shareholders unless a shareholder has requested a hard copy. You will be able to access the Meeting Materials online at the Company's website www.candyclublimited.com.au.

If you have nominated an email address and have elected to receive electronic communications from the Company, you will also receive an email to your nominated email address with a link to an electronic copy of the Notice.

Alternatively, a complete copy of the Meeting Materials has been posted on the Company's ASX market announcements page.

The online access is via this ASX announcement portal at:

<https://www.asx.com.au/asx/share-price-research/company/CLB>.

If any shareholder requires a copy to be mailed to them, please contact Mr Greg Starr via email, candyclub@tearum.com.au.



Greg Starr
Company Secretary/Director

Authorisation:

This announcement is authorised by the directors.

**CANDY CLUB HOLDINGS LIMITED
ACN 629 598 778 (“Company”)**

NOTICE OF GENERAL MEETING OF SHAREHOLDERS AND EXPLANATORY STATEMENT

**For a General Meeting of Shareholders to be held on Thursday, 25th May 2023 at
11:00am(AEST)
Level 2, 350 Kent Street, Sydney, New South Wales, Australia.**

TO SHAREHOLDERS

Dear Shareholder

24 April 2023

We refer to the ASX Announcements on 6th February 2023 and 7th February 2023. Whilst the company has exited from Voluntary Administration, it stills needs to deal with residual creditors. The purpose of this notice of meeting is to raise fresh capital, pay out all creditors, and have working capital. The company will then be on a stable footing again.



Yours faithfully
Mr Greg Starr – Director/Company Secretary

Candy Club Holdings Limited (ACN 629 598 778)

BUSINESS OF THE MEETING

Agenda

Resolution 1 – Consolidation of Existing Shares and Options

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to the passing of Resolution 2, 3 and 7 for the purposes of Section 254H of the Corporations Act, approval is given for the Company’s existing ordinary shares and options be consolidated on a 1:24 basis, (“Consolidation”), with any fractions rounded down.”

Resolution 2 – Allotment and Issue of Shares to Annerley Property Holdings Pty Ltd – shareholding greater than 20%

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That subject to the passing of Resolution 1,3 and 7, as proposed Director Mr Gary Simonite is a related party as he is the sole shareholder, Company Secretary and Director of Annerley Property Holdings Pty Ltd, for the purposes of Item 7 of Section 611 of the Corporations Act, and for all other purposes, approval is given for the Company to issue 84,688,918 Shares (post consolidation), at \$0.00236158407 per Share to Annerley Property Holdings Pty Ltd to raise \$200,000.00 on the terms and conditions set out in the Explanatory Statement including that the maximum level of voting power will be 85% (approx.) if this resolution is passed along with all other resolutions.”.

Voting exclusion statement: The Company will disregard any votes cast in favour of the resolution by or on behalf of:

- Annerley Property Holdings Pty Ltd; or
- an associate of Annerley Property Holdings Pty Ltd.

However, this does not apply to a vote cast in favour of a resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

- the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
- the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 3 – Allotment and Issue of Shares to Annerley Property Holdings Pty Ltd – Related Party benefit

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That subject to the passing of Resolution 1, 2 and 7 as proposed Director Mr Gary Simonite is a related party as he is the sole shareholder, Company Secretary and Director of Annerley Property Holdings Pty Ltd, for the purposes of Chapter 2E of the Corporations Act and for all other purposes, approval is given for the Company to issue 84,688,918 Shares (post consolidation), at \$0.00236158407 per Share to Annerley Property Holdings Pty Ltd to raise \$200,000.00 on the terms and conditions set out in the Explanatory Statement including that the maximum level of voting power will be 85% (approx.) if this resolution is passed along with all other resolutions.”.

Voting exclusion statement: The Company will disregard any votes cast in favour of the resolution by or on behalf of:

- Annerley Property Holdings Pty Ltd; or
- an associate of Annerley Property Holdings Pty Ltd.

However, this does not apply to a vote cast in favour of a resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 4 – Appointment of Mr Gary Simonite as a Director

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, subject to the passing of Resolutions 1 to 3 and 5 to 7, Mr Gary Simonite, being eligible and having consented to act, be elected as a director of the Company, with effect from close of the General Meeting.”

Resolution 5 – Appointment of Mr Don Dickie as a Director

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That, subject to the passing of Resolutions 1 to 4 and 6 and 7, Mr Don Dickie, being eligible and having consented to act, be elected as a director of the Company, with effect from close of the General Meeting.”

Resolution 6 – Appointment of Mr Jim Wilson as a Director

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That, subject to the passing of Resolutions 1 to 5 and 7 Mr Jim Wilson, being eligible and having consented to act, be elected as a director of the Company, with effect from close of the General Meeting.”

Resolution 7 – Approval of Loan Discharge and Reimbursement of Funds to Director Steven Nicols and Related Entities.

To consider and, if thought fit, to pass, the following resolution as an **ordinary resolution**:

“Subject to the passing of Resolutions 1 to 3, that for, (and to the extent necessary), the purpose of Section 208 of the Corporations Act, ASX Listing Rule 10.1 and for all other purposes, approval is given for Steven Nicols and related entities to acquire assets in the form of cash from the Company and to receive potential benefits from Annerley Property Holdings Pty Ltd with respect to a loan discharge and reimbursement, on terms set out in the Explanatory Statement.”

Voting exclusion statement: The Company will disregard any votes cast in favour of the resolution by or on behalf of:

- Steven Nicols; or
- an associate of Steven Nicols.

However, this does not apply to a vote cast in favour of a resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

- the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
- the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

DATED: 18 April 2023

By order of the Board

Mr Greg Starr
Director/Company Secretary

Candy Club Holdings Limited
ACN 629 598 778

NOTES:

1. A Shareholder of the Company who is entitled to attend and vote at a general meeting of Shareholders is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a shareholder of the Company.
2. Where a voting exclusion applies, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
3. For the purposes of Regulation 7.11.37 of the Corporations Act, the Deed Administrators have determined that the shareholding of each Shareholder for the purposes of ascertaining their voting entitlements for the Meeting will be as it appears on the Company's share register at 7.00 p.m. (Sydney Time) on Tuesday, 23rd May 2023 (the Entitlement Time). Accordingly, only those persons registered as holders of Shares at the Entitlement Time will be entitled to attend and vote at the Meeting. Transactions registered after that time will be disregarded in determining Shareholders entitled to attend and vote at the Meeting.
4. In accordance with Section 250BA of the *Corporations Act 2001* the Company specifies the following information for the purposes of receipt of proxy appointments:

Mail and physical address

Level 2, 350 Kent Street,
Sydney NSW 2000
AUSTRALIA

Facsimile: +61 2 9299 2239

Email: greg.starr@tearum.com.au

The instrument appointing the proxy must be received by the Company at the address specified above at least forty eight (48) hours before the time notified for the meeting (proxy forms can be lodged by facsimile). Any proxy form received after that time will not be valid for the scheduled meeting.

EXPLANATORY STATEMENT

1. GENERAL INFORMATION

This Explanatory Statement has been prepared for the Shareholders of Candy Club Holdings Limited (**Company**)(**CLB**) in connection with the Resolutions 1 to 7 (inclusive) to be considered at the General Meeting of the Company's Shareholders to be held at 11.00a.m (AEST) (Sydney Time) on Thursday, 25th of May 2023 ("**Meeting**").

The purpose of this Explanatory Statement is to provide information to Shareholders which is considered to be material to them in deciding whether or not to pass the Resolutions in the Notice of General Meeting of the Company ("**Notice**").

Shareholders should read this Explanatory Statement in full because individual sections do not give a comprehensive review of the Resolutions. In addition, this Explanatory Statement should be read in conjunction with the accompanying Notice.

In considering the Resolutions, Shareholders must bear in mind the current financial circumstances of the Company. In this regard, Shareholders should note that reports have been made by the Company's appointed Voluntary Administrators i.e. Worrells Melbourne in accordance with the Corporations Act. The reports set out in detail the financial position of the Company, the actions and investigations to be taken by the Administrators and the reasons for the current status of the Company. The Voluntary Administrators' reports are available by contacting Nicols + Brien Chartered Accountants on phone: (02) 9299 2289. The Voluntary Administrator recommended liquidation of the company, however your new directors have an alternative course of action, set out in this explanatory statement.

If all of the Resolutions are passed and the Recapitalisation Proposal is completed, the Company will be debt free and solvent. Completion of the proposal will not be enough to meet the ASX Listing Rule requirements for re-quotations. Re-quotations is a difficult exercise (among other things, the company will be required to re-comply with Chapters 1 and 2 of the ASX Listing Rules), and the completion of the Recapitalisation Proposal will not guarantee the reinstatement of the company to the official list of the ASX. ASX has absolute discretion in deciding whether or not to re-admit the company to the official list and to quote its securities. This means the Company may not be reinstated and the shares may never be quoted. Also, new shares that are issued under the resolutions proposed in this notice of meeting, may be subject to escrow. If Shareholders do not approve the Resolutions and as a consequence the Recapitalisation Proposal is rejected, the Company will likely go into liquidation and it is likely that there will be no return to Shareholders.

1.1 Background

A general background in respect of the appointment of Worrells as Voluntary Administrators and their subsequent retirement on 6 February 2023, is set out below.

1.2 Recent History of the Company

On 11th October 2022 the company's shares were suspended, pending the outcome of re-financing discussions with a USA based investments bank. The discussions did not produce a satisfactory result. The company appointed Voluntary Administrators on 25th October 2022.

The Voluntary Administrators commenced a re-capitalisation campaign, and advertised in the Australian Financial Review. After receiving no viable offers, the Voluntary Administrators called a meeting pursuant to Section 439A of the Corporations Act to decide the company's future. Creditor's debts totalled \$11,591,024. The USA business was insolvent and all USA assets were under a secured change to a USA based lender. The

Voluntary Administrator did not trade-on the USA subsidiary, nor did they attempt to realize any assets because the secured creditor was owed several million in excess of the stock/candy assets in USA. The Voluntary Administrator reported to creditors that the shares in the USA subsidiary were of nil value. The Voluntary Administrator sold the shares for a nominal sum.

The Voluntary Administrator issued three creditors reports and for the Section 439A creditors meeting report, he recommended that Candy Club Holdings Limited be placed into liquidation.

Creditors voted however to end the Voluntary Administrators role and this is what occurred on 6 February 2023.

Your new board of directors are pleased to advise that they have an alternative to liquidation. The fresh capital raising noted on the agenda, is necessary to implement this alternative. The fresh capital raising will be used to pay out creditors at an agreed discount. The company will again be solvent and ready to investigate opportunities, subject to ASX and shareholder approval.

1.3 Summary of the terms of the Recapitalisation Proposal

Set out below is a detailed summary of the Recapitalisation Proposal.

The essential terms of the Recapitalisation Proposal are as follows:

- (a) Consolidation of shares and options on a 1:24 basis;
- (b) Placement to exempt, professional and sophisticated investors, whom will subscribe in aggregate for 84,688,918 shares to raise \$200,000.00;

1.4 New Directors

Proposed Director Mr Gary Simonite – Bachelor of Science (Phillip Institute of Technology)

Mr Gary Simonite is the sole shareholder, Company Secretary and Director of Annerley Property Holdings Pty Ltd.

He is also the founder and managing director of Viking Capital Group Pty Ltd, a Queensland company he formed in 2008. Gary and his company is an authorized credit representative of BLSSA Pty Ltd (owned by NAB) and specialises in mortgage funding to finance construction activities.

Proposed Director Mr Don Dickie – Bachelor of Laws (The University of Queensland)

Mr Don Dickie was a partner in several Gold Coast Queensland law firms, and in 2008 he was admitted to the Queensland Private Bar. His main practice areas are commercial mediation and family law.

Proposed Director Mr Jim Wilson – Bachelor of Commerce and Law (The University of Queensland)

Mr Jim Wilson held merchant banking roles with AIDC & Capel Court post qualifications. He then became involved in commercial law in public practice, before moving to the CFO and company secretary role at QIW Ltd; CEO and company secretary of QLD Diagnostic Imaging; and general manager and company secretary of a Gold Coast City Council development and events company. He now is in public practice and sits on the Advisory Board Centre.

1.5 ASX Listing

The Company is admitted to the Official List of ASX. However trading in the Company's Shares was suspended on 11th October 2022. Trading in the Shares will not recommence until all Resolutions are passed and not until the Company complies with Chapters 1 and 2 of the Listing Rules, or until ASX advises otherwise.

The intention of the New Directors with regard to the business of the Company is to use the working capital to be injected into the Company via the Recapitalisation Proposal for the purposes described in Section 1.11 of this Statement. The New Directors' plan is to identify and assess potential acquisition opportunities of a material asset subject to approval by ASX, Shareholders and regulatory bodies, where relevant. There is no certain timeframe as to when this may occur, but it is anticipated to be in the third quarter of 2023. The Company is also mindful of the ASX's automatic removal policy, which deals with lodgement of all overdue statutory reports as well as a maximum 2 year suspension rule.

1.6 Advantages and Disadvantages of the Recapitalisation Proposal

Advantages

- 1.6.1 The passing and consummation of Resolutions 1 to 3 and 7 as part of the recapitalisation proposal would result in a net cash position of approximately \$70,000 (assuming the capital raising of the \$200,000.00 referred to above) and having a company with no liabilities, compared with the current position whereby the Company has no assets, and significant debts of approximately \$11million.
- 1.6.2 If the proposals per Resolutions 1 to 3 and 7 are consummated as part of the recapitalisation process, the net cash asset backing of a CLB share rises from nil cents to approximately \$0.0007 per share.
- 1.6.3 If Resolutions 1 to 3 and 7 are passed together with the completion of the recapitalisation proposal, the Company's chances to continue to investigate opportunities are enhanced as, without the recapitalisation, it is likely that the Company may be wound up and deregistered. The Company would need to find a new business and raise additional funds so that it could meet the Listing Rules.
- 1.6.4 The proposed Directors bring additional expertise to the Company in that such Directors have finance and corporate experience and/or experience as Directors or Managers of trading entities. Paragraph 1.4 above discloses the background of the proposed directors.

Disadvantages

- 1.6.5 A significant dilution of existing shareholders will occur. i.e. they will own 15% as compared to 100% now of the expanded issued capital of the Company after the passing of Resolutions 1 to 3 and 7 (the passing of Resolutions 1 to 3 and 7 are dependent on all three resolutions being passed). However, we note that CLB will be partly recapitalised with approximately \$70,000 in net cash (assuming completion of the \$200,000.00 total capital raising), will have no debt and will have the opportunity to consider the acquisition of other assets or businesses. It is assumed that all investors will obtain a benefit particularly if the Company's shares can be re-quoted on ASX (the Company will need to re-comply with Chapters 1 and 2 of the ASX Listing Rules). Re-quotations on the ASX is a difficult and complex exercise. ASX has absolute discretion in deciding whether or not to re-admit the company to the official list and to quote its securities. This means the Company may not be reinstated and the shares may never be quoted. Also, any new shares that are issued under the resolutions proposed in this notice of meeting, may be subject to escrow.

1.6.6 The Company would only have approximately net cash of \$70,000 after the issue of the 84,688,918 shares for a total capital raising of \$200,000.00 as per Resolution 2 and 3. The Company would still need to find a new business and raise additional funds so that it could meet the Listing Rules. It is quite possible in the absence of any other recapitalisation proposal, the Company could be placed into Liquidation.

1.6.7 If the Company seeks new business opportunities, there is no guarantee that such businesses will be profitable.

1.7 Conclusion

The Resolutions 1 to 3 and 7 set out in the Notice are important and affect the future of the Company. Both Resolutions 1 to 3 and 7 need to be approved in order to implement the Recapitalisation Proposal. Shareholders are therefore urged to give careful consideration to the Notice the contents of this Statement.

1.8 Capital Raising

The Company intends to raise \$200,000.00 by issuing 84,688,918 shares each to exempt, professional and sophisticated investors.

Funds raised under the Placement will be used in accordance with the table set out in Section 1.11 below.

1.9 Financial Effect of Placement

The completion of the Placement will increase the Company's cash balance by \$200,000.00 and also increase the Company's issued capital by the same amount.

The Company's only asset will be the cash raised under the Placement, less any amounts expended in accordance with the table set out in Section 1.11 below.

The Company has not presented pro forma financial information in relation to the transactions as recent historical audited financial information is not available owing to the Company being in Administration. The new directors are attending to the preparation of all outstanding financial statements. The fresh capital raising will assist this process.

1.10 Control Implications

The Company is seeking shareholder approval under Corporations Act, Section 611 and Item 7 and, as proposed Director Mr Gary Simonite is a related party as he is the sole shareholder, Company Secretary and Director of Annerley Property Holdings Pty Ltd, Chapter 2E of the Corporations Act for the purposes of Resolution 2 and 3.

A table showing the impact of the various issues of securities pursuant to this Notice on the aggregated Shareholding interests of existing Shareholders is set out below (on a post Consolidation basis).

	Before		After	
	# Shares	% of Shares	# of Shares	% of Shares (Approx.)
Change as a result of Share issue only				
Existing Shareholders (Resolution 1)	367,465,960	100%	15,311,082	15%
Annerley Property Holdings Pty Ltd (Resolution 2 and 3)	0	0%	84,688,918	85%
		TOTAL	100,000,000	100%

1.11 Purpose of funds to be raised under the Recapitalisation Proposal

The Recapitalisation Proposal seeks to raise the sum of \$200,000.00 through issues of Shares to sophisticated, professional or other exempt investors who do not require a disclosure document under section 708 of the Corporations Act. The purpose of these capital raisings are to:

- (a) Payments to creditors to extinguish all liabilities; and
- (b) provide working capital to meet the administration costs of the Company.

An estimated budget is set out below.

Estimated Use of Funds – Expenditure Budget

Total funds raised \$200,000.00	\$
Creditors at agreed compromise	122,923.00
ASIC	6,084.00
ASX	978.00
Working Capital for the company	70,015.00
Total funds utilised (\$)	\$200,000.00

The expected costs of preparing this Notice of Meeting; holding the meeting; postage and printing will be incurred by Nicols + Brien and is estimated at \$29,000.00, plus GST. It is proposed to be paid from working capital above.

2. RESOLUTION 1 CONSOLIDATION OF CAPITAL

2.1 Background

If this Resolution is passed and excluding any Securities issued pursuant to the other Resolutions, the number of shares and options on issue will be reduced from 367,465,960 to 15,311,082 (subject to rounding).

2.2 Legal requirements

Section 254H of the Corporations Act provides that a company may, by resolution passed in a general meeting, convert all or any of its shares into a larger or smaller number.

2.3 Fractional entitlements

Not all Security Holders will hold that number of Shares which can be evenly divided by 24. Where a fractional entitlement occurs, the Company will round that fraction down to the nearest whole Security. This means some shareholders holding less than 24 shares will be rounded down to zero.

2.4 Taxation

It is not considered that any taxation implications will exist for Security Holders arising from the Consolidation. However, Security Holders are advised to seek their own tax advice on the effect of the Consolidation and the Company accepts no responsibility for the individual taxation implications arising from the Consolidation.

2.5 Holding statements

From the date of the Consolidation, all previous holding statements for Security will cease to have any effect, except as evidence of entitlement to a certain number of Securities on a pre-consolidation basis.

After the consolidation become effective, the Company will arrange for new holding statements for Securities to be issued to holders of those Securities.

It is the responsibility of each Security Holder to check the number of Securities held prior to disposal or exercise (as the case may be).

2.6 Proposed capital structure

Current Capital Structure shares

	Shares	Percentage %
Current Shares on Issue	367,465,960	100

Proposed Capital Structure

	Shares	Percentage % (Approx.)
Existing Shares Consolidated 1:24	15,311,082	15%
Resolution 2 and 3 Issue of Shares to Annerley Property Holdings Pty Ltd	84,688,918	85%
TOTALS	100,000,000	100%

2.7 Indicative timetable

If this Resolution is passed, the Consolidation will take effect in accordance with the following timetable (as set out in Appendix 7A (paragraph 7) of the ASX Listing Rules):

Action	Date
Company announces Consolidation, lodges Appendix 3A.3 with ASX and sends out Notice of Meeting	24 April 2023
Company announces on ASX that Shareholders have approved the Consolidation and Effective Date of Consolidation	25 May 2023
Effective Date	25 May 2023
Last day for trading in pre-consolidated shares	26 May 2023
Record Date	30 May 2023
Last day for company to register transfers on a pre consolidation basis	30 May 2023
First day for the company to update its register and to send holding statements	31 May 2023
Last day for the company to update its register and to send holding statements	6 June 2023

3. Resolution 2 and 3 – Allotment and Issue of Placement of Shares

3.1 General

Resolution 2 and 3 seeks Shareholder approval for the issue 84,688,918 Shares at an issue price of \$0.00236158407 per Shares to raise \$200,000.00 (**Placement**).

3.2 Technical information required for Shareholders

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary shares it had on issue at the start of that period. However, Exception 8 of Listing Rule 7.1 allows an exception if an issue of securities is approved for the purposes of Item 7 of Section 611 of the Corporations Act, as is the case now.

The following information is provided in relation to the Placement:

- (a) the maximum number of Shares to be issued is 84,688,918;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;
- (c) the issue price will be \$0.00236158407 per Share;

- (d) the Shares will be issued to Annerley Property Holdings Pty Ltd. Proposed director Mr Gary Simonite is a related party as he is the sole shareholder, Company Secretary and Director of Annerley Property Holdings Pty Ltd.
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) the Company intends to use the funds raised from the Placement towards paying creditors with remaining funds being used for working capital purposes.

3.3 Section 611 of the Corporations Act and Listing Rules

As stated above, Exception 8 of Listing Rule 7.1 is being relied upon.

Shareholder approval of Resolution 2 is required under Item 7 of Section 611 of the Corporations Act given Resolution 2 involves the issue of more than 20% of all Shares then on issue.

Pursuant to Section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases;

- (a) From 20% or below to more than 20%; or
- (b) From a starting point above 20% and below 90%.

The voting power of a person in a body corporate is determined in accordance with Section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

The "associate" reference includes a reference to a person in concert with whom a primary person is acting or proposes to act,

A person has a relevant interest in securities if they:

- (a) are the holder of the securities;
- (b) have the power to exercise, or control the exercise of, a right to vote attached to securities; or
- (c) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

Chapter 2E of the Corporations Act

Section 208(1) of the Corporations Act requires that for a public company to give a financial benefit to a related party of the public company, it must either fall within certain exceptions or obtain shareholder approval. A related party includes a party that does or may control a public company. Accordingly, Annerley Property Holdings Pty Ltd is a related party of the Company for the purposes of Chapter 2E of the Corporations Act.

Pursuant to Resolution 2 and 3 the company is seeking shareholder approval for the issue of 84,688,918 shares to raise \$200,000.00

The following information is provided:

- (a) The related party is Annerley Property Holdings Pty Ltd
- (b) The maximum number of shares, being the nature of the financial benefits being provided to be issued, will be 84,688,918 shares;
- (c) The shares will be issued no later than 3 months after the date of the meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules state;
- (d) The issue price will be \$0.00236158407 per share;
- (e) The funds raised will be used for the same purposes as all other funds raised under the capital raising as set out in Section 1.11 this explanatory statement;
- (f) The shares issued under the capital raising will be fully paid ordinary shares in the capital of the company issued on the same terms and conditions as the company's existing shares;
- (g) The value of the financial benefit is calculated by the number of securities being issued multiplied by the issue price under General Placement and is set out below:

Securities	Value per Security	Financial Benefit	Amount Paid
84,688,918	\$0.00236158407	\$200,000.00	\$200,000.00

The company's shares have been suspended from trading since 11th October 2022 with the last trading price of the company prior to going into administration being \$0.046.

The company will be issuing shares at \$0.00236158407 and the Directors therefore consider that \$0.00236158407 is a more appropriate valuation for the cost of the shares being issued, the subject of Resolution 2 and 3.

- (h) The current relevant interests of Annerley Property Holdings Pty Ltd in the securities of the company are nil.
- (i) The remuneration and emoluments from the company to Annerley Property Holdings Pty Ltd for the previous financial year and the proposed remuneration and emoluments for the current financial year are also \$Nil.

Related Party	Financial Year ended 30 June 2021	Financial Year ended 30 June 2022
Annerley Property Holdings Pty Ltd	\$Nil	\$Nil

- (j) The trading history of the shares on ASX in the 12 months before the date of this notice is set out below:

	Price	Date
Highest	10 cents	11 April 2022
Lowest	4.6 cents	4 October 2022
Last	4.6 cents	11 October 2022

Shareholders should note that the company's securities were suspended from quotation on 12th October 2022 and remain suspended.

- (k) The primary purpose of the issue of the shares is to raise fresh capital; and
- (l) Other than proposed Directors Mr Gary Simonite who is the sole shareholder, Company Secretary and Director of Annerley Property Holdings Pty Ltd, none of the current Directors have an interest in the outcome of Resolution 2 and 3. The Directors make a positive recommendation because the company will be placed on a solid financial footing.
- (m) the Directors are not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the company to pass Resolution 2 and 3.

Information required by Item 7 of the Section 611 of the Corporations Act

Also set out below are the matters required to be disclosed in accordance with Item 7(b) of Section 611 of the Corporations Act.

- (a) *the identity of the person proposing to make the acquisition and their associates:*

It is proposed that 84,688,918 Shares be issued to Annerley Property Holdings Pty Ltd as per Resolution 2 and 3. Annerley Property Holdings Pty Ltd, nor Proposed director Mr Gary Simonite, nor related parties, does not have relevant interests in any Shares existing as at the date of this notice.

- (b) *the maximum extent of the increase in that persons voting power in the company that would result from the acquisition:*

If Resolution 2 and 3 are passed, Annerley Property Holdings Pty Ltd's and Proposed director Mr Gary Simonite as a related party of Annerley Property Holdings Pty Ltd voting power in the Company will increase from 0% to 85% (approx).

- (c) *the voting power that the relevant allottees would have as a result of the acquisition:*

If Resolution 2 and 3 are passed, Annerley Property Holdings Pty Ltd's and Proposed director Mr Gary Simonite as a related party of Annerley Property Holdings Pty Ltd voting power in the Company will be 85% (approx.).

- (d) *the maximum extent of the increase in the voting power of each of the allottee's associates that would result from the acquisition.*

As Annerley Property Holdings Pty Ltd and Proposed director Mr Gary Simonite as a related party of Annerley Property Holdings Pty Ltd has no holding or any relevant interest in existing Shares there is no increase in its voting power in the Company as a result of the acquisition.

- (e) *the voting power that each of the allottee's associates would have as a result of the acquisition:*

As Annerley Property Holdings Pty Ltd and Proposed director Mr Gary Simonite as a related party of Annerley Property Holdings Pty Ltd has no associates holding any relevant interest in existing shares, there is no increase in its voting power in the Company as a result of the acquisition.

- (f) *control implications of the acquisition – passing resolutions:*

As Annerley Property Holdings Pty Ltd will have 85% (approx.) it will have the voting power to pass any resolutions on its own.

- (g) *control implications of the acquisition – appointment of additional directors:*

As Annerley Property Holdings Pty Ltd will have 85% (approx.) voting power to appoint additional nominee directors to the board.

- (h) *Director Recommendations in accordance with s219(1)(c) of the Act*

s219(1)(c) of the Act requires, in relation to each director of the company:

- (i) if the director wanted to make a recommendation to members about the proposed resolution--the recommendation and his or her reasons for it; or
- (ii) if not--why not; or
- (iii) if the director was not available to consider the proposed resolution

In accordance with s219(1)(c) of the Act the directors responses are as follows:

Existing Retiring Directors

Mr Steven Nicols: Recommends in favour because the company will be placed on a solid financial footing.

Mr Gregory Barry Starr: Recommends in favour because the company will be placed on a solid financial footing.

Mr Richard Campbell Brien: Recommends in favour because the company will be placed on a solid financial footing.

Other Required Information – ASIC regulatory Guide 74

The following further information is disclosed:

- (a) The Company will review its current business activities. As part of the process, it is proposed that 3 New Directors will be elected to the Board. These elections form the subject of separate Resolutions. The current Directors and company secretary will be resigning;

- (b) In accordance with the Recapitalisation Proposal, the Company intends to raise capital to:
 - (i) pay creditors and to extinguish all debt of the Company; and
 - (ii) meet the administration and working capital costs of the Company.

The Company will have sufficient funds if all Resolutions are passed and share capital raised in order to meet the aims of the Recapitalisation Proposal;

- (c) There is no current intention to redeploy any other fixed assets of the Company or to change the Company's existing policies in relation to financial matters or dividends. At present, the Company does not pay a dividend. The dividend policy of the Company will be assessed in accordance with the future profitability of the Company's business; and
- (d) Proposed directors Mr Gary Simonite, Mr Don Dickie and Mr Jim Wilson do not intend to inject further capital into the company. However this will change if the company seeks re-quotations on ASX.
- (e) An Independent Expert's Report or IER is enclosed, and shareholders are urged to read it in full,

The Corporations Act provides that an independent expert's report of the transaction (as contemplated by Resolution 2) must be provided to Shareholders. The IER provides an opinion as to whether the acquisition of the voting power referred to in Resolution 2 and this section, is fair and reasonable to the non-associated Shareholders of the Company.

The IER is enclosed with the Notice and is attached to Annexure A.

Hall Chadwick Corporate (NSW) Limited has concluded that the acquisition of the voting power by Annerley Property Holdings Pty Ltd as contemplated by Resolution 2 and 3 ("**Acquisition**") is fair and reasonable to the Shareholders of the Company.

The advantages and disadvantages of the Recapitalisation Proposal are outlined in the IER and are provided to enable non-associated Shareholders of the Company to determine whether they are better off if the Acquisition proceeds than if not.

Shareholders are urged to carefully read the IER in deciding how to vote on the Resolutions, particularly Resolution 2 and 3

- (f) Annerley Property Holdings Pty Ltd will only have a right to compulsorily acquire the shares of minority shareholders pursuant to Section 664C of the Corporations Act if they own more than 90%. However they have no intention whatsoever to compulsorily acquire the shares of minority shareholders. The intention of the Company, with regard to the business of the Company is to use the working capital to be injected into the Company via the Recapitalisation Proposal for the purposes described in Section 1.11. The New Directors' plan is to identify and assess potential acquisition opportunities of a material asset subject to approval by ASX, Shareholders and regulatory bodies, where relevant

Other required information – ASIC Regulatory Guide 76

The following further information is disclosed:

- (a) The related party is Annerley Property Holdings Pty Ltd. Mr Gary Simonite is a director of Annerley Property Holdings Pty Ltd.

- (b) The nature of the financial benefit is the issue of 84,688,918 Ordinary Shares in the capital of the Company as set out in this Explanatory Memorandum;
- (c) The Directors of the Company make a positive recommendation in relation to whether Shareholders should or should not vote in favour of the Resolution.
- (d) No Directors have an interest in the outcome of the Resolution

All other information that is reasonably required by Shareholders to decide whether or not it is in the Company's interests to pass a resolution and that is known to the Company, is set out in this Explanatory Memorandum and in the Independent Expert's Report.

4. Resolution 4 to 6 – Appointment of new Directors

4.1 General

The Corporations Act provides that:

- (a) the Company must have at least 3 directors, per Section 201A(2) of the Corporations Act;
- (b) the Company's Shareholders may appoint new Directors of the Company by resolution passed in general meeting, per Section 201G of the Corporations Act; and
- (c) the appointment of a person as a Director at a general meeting is subject to the Company receiving his or her consent to the nomination, per Section 201D of the Corporations act.

Having received nominations for the following persons to be appointed as new Directors of the Company, and having received consents to act as a Director from each such person, Resolutions 4 to 6 respectively seek Shareholder approval for the appointment of the following persons as Directors effective from the close of the General Meeting:

- (a) Mr Gary Simonite – Resolution 4;
- (b) Mr Don Dickie – Resolution 5;
- (c) Mr Jim Wilson – Resolution 6

A summary of experience of each of the proposed Directors is set out in paragraph 1.4 above.

5. Resolution 7 – Approval of Loan Discharge and Reimbursement of Funds to Director Steven Nicols and Related Entities

Chapter 2E of Corporations Act and Regulatory Guide 76

Chapter 2E of Corporations Act deals with the provision of financial benefits by the Company to related parties.

Section 208 of the Corporations Act states that a public company cannot give a financial benefit to a related party of the Company unless one of the exceptions set out in section 210 to 216 of the

Corporations Act applies, or the holders of ordinary securities have approved the giving of the financial benefit to the related party in a general meeting.

Mr Steven Nicols is a director of the company and as such is a related party of the Company. Mr Nicols controls Benelong Capital Partners Pty Ltd (Benelong) which makes it a related party of the Company as well.

Prior to Mr Steven Nicols becoming a director, Benelong has advanced funds to the company to pay out various trade and other creditors as well as acquiring various other debts such that it is the sole creditor of the Company. In doing so Benelong was able to have the Company finalise the voluntary administration and return control of the company to Board.

It is proposed that shareholders approve Resolution 2 and 3, for the issue of shares to Annerley Property Holdings Pty Ltd, where as the company will raise \$200,000.00 in fresh capital. It is proposed that the Company will repay the funds advanced by Benelong to the Company's creditors. Funds paid, or to be paid, by Benelong to the company's Australian creditors whom have assigned their debts (the Australian Debts) to Benelong being a total of \$122,933.00. Benelong has negotiated a full discharge of those debts which total \$1,469,016. The payment of \$122,933.00 to Benelong by the Company represents the amounts paid by Benelong only and there is no interest of other benefit being paid by the Company for the discharge of the debts.

Additionally, Benelong has agreed with Annerley Property Holdings Pty Ltd that on payment of at least \$15,021.78 to it by Annerley Property Holdings Pty Ltd, that it will forgive or otherwise extinguish additional USA debts of the Company, that Benelong had acquired from the Company's former major creditor totalling \$10,122,008 (the US Debt) according to the proof of debt they lodged with the Voluntary Administrator.

As a result of these arrangements the Company will become debt free.

Whilst it is arguable that any benefit being provided by The Company to Benelong is at least on arm's length terms, to the extent that the arrangements between Benelong and Annerley Property Holdings Pty Ltd result in a benefit being provided to Benelong that does not fall within an exception to Section 208 of the Corporations Act, shareholder approval is being sought under Resolution 7.

ASX Listing Rule 10.1

ASX Listing Rule 10.1 deals with the acquisition or disposal of significant assets by the Company to a related party.

An asset is considered significant if it equates to 5% or more of the "equity interests" of the Company.

Based upon the proposed capital raising of \$200,000.00 the amounts to be paid as regards the Australian Debts would be more than 5% of the equity interests of the Company.

It is possible that the use of Company funds, (following the issue of shares to Annerley Property Holdings Pty Ltd) could be a disposal of assets by the Company even though as a result the Company will be in an improved economic position. The company is simply using its cash assets to pay out creditors. For the avoidance of doubt, shareholder approval is also being sought for the purposes of ASX Listing Rule 10.1 in respect of the amounts payable by the Company to Steven Nicols and related parties.

Accordingly, the following information is being provided for the purposes of shareholder approval under Chapter 2E of the Corporations Act and ASX Listing Rule 10.1.

Pursuant to Resolution 7 the company is seeking shareholder approval for approval of a potential financial benefit being provided by the Company in relation to the discharge of various debts owed by the Company to Steven Nicols and related parties. Resolution 7 is subject to the passing of Resolutions 1 to 3.

The following information is provided:

Identity – The related party is Mr Steven Nicols who is a director of the Company, and his related company Benelong Capital Partners Pty Ltd.

Nature of Benefit – In order to save the Company from liquidation, (as recommended by the Voluntary Administrator), Steven Nicols arranged to pay out Australian creditors or in some cases take a Deed of Assignment of debt. The amounts paid or to be paid by Mr Steven Nicols and Benelong Capital Partners Pty Ltd, total \$122,933.00.

Valuation of the Financial Benefit – As the Company will be reimbursing Benelong without any interest for the Australian Debts it has paid, and will pay, the net valuation benefit is zero. With respect to the extinguishment of the US Debt, Benelong will receive from Annerley Property Holdings Pty Ltd at least \$15,021.78. It should be noted this payment will not be from the Company.

In assessing the potential financial benefit to Benelong, it is noted that Benelong has taken on significant risk in doing so, and the Company has no other options available to it other than liquidation. It should be noted that as a result of the transactions contemplated the Company will become debt free and \$11,591,024 of debt repaid, discharged or forgiven.

Existing Relevant Interests – neither Mr Steven Nicols nor Benelong have any shares or options in the Company. The other directors also have no equity interests in the Company.

Trading History – The Company's shares were suspended on 11 October 2022 and its last share price prior to Voluntary Administration was 4.6 cents.

The trading history of the shares on ASX in the 12 months before the date of this notice is set out below:

	Price	Date
Highest	10 cents	11 April 2022
Lowest	4.6 cents	4 October 2022
Last	4.6 cents	11 October 2022

Dilution – As no shares are being issued there is no dilution effect.

Financial Impact – The board believes that the passing of this resolution has no negative financial effect at all on the Company's funds position. The board notes if the resolution is passed, it will enable the Company to become solvent and recover from its current parlous state.

Taxation Consequences – There are no taxation consequences for the Company arising from the issue of the shares (including fringe benefits tax).

Timing – The arrangements with respect of the Australian Debts and the US Debt will occur shortly after Resolution 1 is passed.

Independent Expert Hall Chadwick Corporate (NSW) Limited has indicated that the recapitalisation and cancellation of the Company’s existing debts is “fair and Reasonable” to the existing shareholders.

Directors Recommendation – The board (other than Mr Steven Nicols who has a personal interest) recommends passing the resolution, as it is in the best interests of shareholders and will place the Company in a position of having no debt. At this time the board sees no alternative for the Company other than voluntary administration and possible liquidation.

Other Information – All other information that is reasonably required by Shareholders to decide whether or not it is in the Company’s interests to pass a resolution and that is known to the Company is set out in this Explanatory Memorandum.

6. ENQUIRIES

Shareholders are invited to contact Mr Greg Starr if they have any queries in respect of the matters set out in these documents.

TIME AND PLACE OF MEETING AND HOW TO VOTE

Venue

A General Meeting of the shareholders of Candy Club Holdings Limited will be held at 11.00am (Sydney Time) on Thursday, 25th of May 2023.

How to Vote

You may vote by attending the Meeting in person, by proxy or authorised representative.

Voting in Person

To vote in person, attend the Meeting on the date and at the place set out above. The Meeting will commence at 11.00 a.m. (Sydney Time).

Voting by Proxy

To vote by proxy, please complete and sign the proxy form enclosed with this Notice of General Meeting as soon as possible and either:

- send the proxy by email to greg.starr@tearum.com.au or by facsimile to the Company on facsimile number (International: + 61 2 9299 2239); or
- deliver the proxy to the Company at c/- Level 2, 350 Kent Street, Sydney, New South Wales, Australia.

so that it is received not later than 7pm (Sydney Time) on Tuesday, 23rd of May 2023.

Your proxy form is enclosed.

GLOSSARY

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market known as the Australian Securities Exchange, operated by ASX Limited, as the context requires

ASX Listing Rules or **Listing Rules** means the Listing Rules of ASX.

Board means the board of directors of the Company.

CLB means the company.

Company means Candy Club Holdings Limited (ACN 629 598 778).

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Creditor means a creditor of the Company as at the date of the Notice.

Director means a director of the Company.

Dollar or \$ means Australian dollars.

Explanatory Statement or **Statement** means the explanatory statement to the Notice of General Meeting.

Glossary means this glossary.

IER means Independent Experts Report annexed hereto

Meeting means the general meeting of the Shareholders convened by the Notice to be held on Thursday, 25th of May 2023.

New Directors means the Directors to be appointed under Resolutions 4, 5 and 6.

Notice means this notice of general meeting of the Shareholders in respect of the Meeting to be held on Thursday, 25th of May 2023.

Resolutions means the resolutions described in the Notice.

Shareholder means the holder of Shares.

Shares means ordinary class shares in the capital of the Company.

Sydney Time means time in Sydney NSW Australia from time to time.

Voluntary Administrators means Mr Matthew Jess and Mr Ivan Glavas from Worrells, Melbourne.

**PROXY FORM
 APPOINTMENT OF PROXY
 CANDY CLUB HOLDINGS LIMITED
 ACN 629 598 778**

GENERAL MEETING - VIRTUAL

I/We

being a Member of Candy Club Holdings Limited entitled to attend and vote at the Meeting, hereby

Appoint

Name of proxy

or failing the person so named or, if no person is named, the Chairman of the Meeting or the Chairman's nominee, to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the General Meeting to be held on Thursday, 25th of May 2023 at 11.00 a.m. (Sydney Time) and at any adjournment thereof. If no directions are given, the Chairman will vote in favour of all of the resolutions.

Voting on Business of the General Meeting

	FOR	AGAINST	ABSTAIN
Resolution 1 Consolidation of shares and options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Allotment and Issue of Shares to Annerley Property Holdings Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 Allotment and Issue of Shares to Annerley Property Holdings Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 Election of Mr Gary Simonite as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 Election of Mr Don Dickie as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 Election of Mr Jim Wilson as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 Approval of Loan Discharge and Reimbursement of Funds to Director Steven Nicols and Related Entities.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

OR

If you do **not** wish to direct your proxy how to vote, please place a mark in this box

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of the interest. The Chairman will vote in favour of all of the resolutions if no directions are given.

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.

If two proxies are being appointed, the % of voting rights this proxy represents is _____ %

Dated this _____ day of _____ 20____

Individuals and joint holders Companies (affix common seal if appropriate)

Signature
Signature

Director
Sole Director and Sole Company Secretary

Instructions for Completing 'Appointment of Proxy' Form

1. A Shareholder entitled to attend and vote at a Meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
2. A duly appointed proxy need not be a Shareholder of the Company. In the case of joint holders, all must sign.
3. Corporate Shareholders should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
 - 2 directors of the company;
 - a director and a company secretary of the company; or
 - For a proprietary company that has a sole director who is also the sole company secretary – that director.

For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a Proxy Form will not prevent individual shareholders from attending the Meeting, if they wish. Where a Shareholder completes and lodges a valid proxy form and attends the Meeting, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the Meeting.
5. Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.
6. You may fax the Proxy form to: Facsimile No. +61 2 9299 2239 or mail Level 2, 350 Kent Street, Sydney NSW 2000, Australia, or email to greg.starr@tearum.com.au
7. The instrument appointing the proxy must be received by the Company at the address specified above at least forty eight (48) hours before the time notified for the meeting (proxy forms can be lodged by facsimile).

18 April 2023

The Directors
Candy Club Holdings Limited
Level 2, 350 Kent Street,
Sydney NSW 2000

Dear Directors,

Independent Expert's Report on the proposed issue of shares

1. INTRODUCTION

1.1 Candy Club Holdings Limited ("CLB" or the "Company") operated as a specialty market confectionery company in the United States.

1.2 On 11 October 2022 the Company's shares were suspended from trading on the Australian Securities Exchange ("ASX"), pending the outcome of re-financing discussions with a USA based investment bank. The discussions did not produce a satisfactory result and the Company appointed Voluntary Administrators on 25 October 2022.

1.3 As part of a restructure and recapitalisation of the Company detailed at section 2:

a) Annerley Property Holdings Pty Ltd ("Annerley") will subscribe for 84,688,918 CLB shares at \$0.00236158407 per share (post consolidation), totalling a capital investment of \$200,000. The new shares issued to Annerley will equate to approximately 85% of the post issue share capital of the Company; and

b) Mr Steven Nicols ("Mr Nicols"), a director of the Company, and related entities, including Benelong Capital Partners Pty Ltd ("Benelong"), will receive a repayment of loans advanced to the Company to facilitate the repayment of creditors as described at section 2.

(collectively referred to in this report as the "Transaction")

Purpose of Report

1.4 You have requested Hall Chadwick Corporate (NSW) Limited ("HCC") to prepare an Independent Expert's Report to advise the shareholders of CLB other than those associated with the proposed Transaction ("Non-Associated Shareholders"), whether the Transaction is fair and reasonable when considered in the context of the interests of Non-Associated Shareholders and to set out the reasons for our conclusions.

HALL CHADWICK
CORPORATE (NSW) LIMITED

ACN 080 462 488

SYDNEY

Level 40, 2 Park Street
Sydney NSW 2000 Australia

GPO Box 3555 Sydney NSW
2001

Ph: (612) 9263 2600

Fx: (612) 9263 2800

E: hcsydinfo@hallchadwick.com.au

com.au

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- 1.5 HCC understands and has agreed that this report will accompany the notice to convene a meeting of CLB shareholders, to assist the Non-Associated Shareholders in their consideration of the resolutions associated with the Transaction.

Opinion

- 1.6 In our opinion, the proposed Transaction is fair and reasonable to the Non-Associated Shareholders of CLB.
- 1.7 The ultimate decision however on whether to accept the proposed Transaction should be based on CLB shareholders' own assessment of their circumstances.

2. THE PROPOSED TRANSACTION

- 2.1 On 11 October 2022 the company's shares were suspended, pending the outcome of re-financing discussions with a USA based investment bank. The discussions did not produce a satisfactory result. On 25 October 2022, Matthew Jess and Ivan Glavas of Worrells, were appointed Voluntary Administrators of the Company.
- 2.2 The Voluntary Administrators commenced a re-capitalisation campaign, and advertised in the Australian Financial Review. After receiving no viable offers, the Voluntary Administrators called a meeting pursuant to Section 439A of the Corporations Act to decide the company's future. Creditor's debts totalled \$11,591,024. The USA business was insolvent and all USA assets were under a secured charge to a USA based lender. The Voluntary Administrator did not continue to trade the USA subsidiary, nor did they attempt to realize any assets because the secured creditor was owed several million in excess of the stock/candy assets in USA. The Voluntary Administrator reported to creditors that the shares in the USA subsidiary were of nil value. The Voluntary Administrator sold the shares for a nominal sum.
- 2.3 The Voluntary Administrator issued three creditors reports and for the Section 439A creditors meeting report, he recommended that the Company be placed into liquidation. Creditors voted however to end the Voluntary Administrators role and this is what occurred on 6 February 2023. The alternative is a Recapitalisation Proposal as detailed below, subject to Shareholders approval:
- a) Consolidation of shares and options on a 1:24 basis;
 - b) Placement to investors, whom will subscribe in aggregate for 84,688,918 shares to raise \$200,000; and
 - c) The appointment of three new directors to the CLB Board; Gary Simonite, Don Dickie and Jim Wilson.
- 2.4 The table below shows the impact of the Transaction on the aggregated Shareholding interests (on a post Consolidation basis):

	Before Transaction		After Transaction	
	# Shares	% of Shares	# of Shares (1)	% of Shares (Approx.)
Existing Shareholders	367,465,960	100%	15,311,082	15%
Annerley	-	-	84,688,918	85%
		TOTAL	100,000,000	100%

(1) Post 1:24 consolidation

- 2.5 Prior to Mr Nicols becoming a director, Benelong advanced funds to the Company to pay trade and other creditors as well as acquiring various other debts such that it became the sole creditor of the Company. In doing so Benelong was able to have the Company finalise the voluntary administration and return control of the Company to Board.
- 2.6 On approval of the Transaction, the Company will repay the funds advanced by Benelong to the Company totalling \$122,933, which was negotiated as a full discharge of the

Australian creditors totalling \$1,469,016, subject to approval of the Transaction (the “Australian Debt”).

- 2.7 Additionally, Benelong has agreed that on payment of at least \$15,021.78 to it by Annerley, that it will forgive or otherwise extinguish additional debts of the Company that it had acquired from the Company’s former major creditor totalling \$10,122,008 (the “US Debt”) according to the proof of debt they lodged with the Voluntary Administrator.
- 2.8 As a result of these arrangements and subject to approval of the Transaction the Company will become debt free.

STRUCTURE OF REPORT

Our report is set out under the following headings:

- 3 PURPOSE OF REPORT
- 4 OPINION
- 5 BASIS OF EVALUATION
- 6 OVERVIEW OF CLB
- 7 VALUATION METHODOLOGIES
- 8 VALUE OF CLB
- 9 ADVANTAGES AND DISADVANTAGES OF THE TRANSACTION
- 10 CONCLUSION AS TO FAIRNESS AND REASONABLENESS

APPENDICES

- I SOURCES OF INFORMATION
- II STATEMENT OF DECLARATION & QUALIFICATIONS
- III FINANCIAL SERVICES GUIDE

3 PURPOSE OF REPORT

- 3.1 The purpose of this report is to advise the Non-Associated Shareholders of CLB of the fairness and reasonableness of the Transaction. This report provides an opinion on whether or not the terms and conditions in relation to the Transaction is fair and reasonable to the CLB shareholders whose votes are not to be disregarded in respect of the Transaction (that is, the Non-Associated Shareholders).
- 3.2 The ultimate decision whether to accept the terms of the Transaction should be based on each shareholders' assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the Transaction or matters dealt with in this report, shareholders should seek independent professional advice.
- 3.3 This report has been prepared to satisfy the requirements of the Corporations Act 2001 ("Corporations Act") and the ASX Listing Rules.

Issue of Shares to Annerley

- 3.4 If the Transaction is approved, Annerley will be entitled to an approximate 85% interest in CLB's issued ordinary shares. Section 606(1) of the Corporations Act states that a person must not acquire an interest in issued voting shares in a listed company if that person's or any other person's voting power increases to above 20%, or increases from a starting point that is above 20% and below 90%. Section 606(1) prohibits Annerley from acquiring the issued ordinary shares in CLB unless one of the exemptions under Item 7 of Section 611 of the Corporations Act applies.
- 3.5 The exceptions set out in Item 7 of Section 611 of the Corporations Act include an acquisition that is approved by a resolution of shareholders of CLB passed at a general meeting as per Section 611. Therefore the Board seeks shareholder approval of the Transaction for the purposes of item 7 of section 611.

Provision of financial benefits by the Company to related parties

- 3.6 Section 208 of the Corporations Act states that a public company cannot give a financial benefit to a related party of the Company unless one of the exceptions set out in section 210 to 216 of the Corporations Act applies, or the holders of ordinary securities have approved the giving of the financial benefit to the related party in a general meeting.
- 3.7 Mr Steven Nicols is a director of the Company and as such is a related party of the Company. Mr Nicols controls Benelong which also makes it a related party of the Company.
- 3.8 Prior to Mr Steven Nicols becoming a director, Benelong advanced funds to the Company to pay out trade and other creditors as well as acquiring various other debts such that it became the sole creditor of the Company. In doing so Benelong was able to have the Company finalise the voluntary administration and return control of the Company to Board.
- 3.9 The Transaction includes the repayment of funds advanced by Benelong to settle the Australian and U.S. debts. Whilst it is arguable that any benefit being provided by The Company to Benelong is on arm's length terms, to the extent that the arrangements result

in a benefit being provided to Benelong that does not fall within an exception to Section 208 of the Corporations Act, shareholder approval is being sought for this resolution relating to the Transaction.

- 3.10 ASX Listing Rule 10.1 deals with the acquisition or disposal of significant assets by the Company to a related party. An asset is considered significant if it equates to 5% or more of the "equity interests" of the Company. Based upon the proposed capital raising of \$200,000 the amounts to be paid as regards the Australian Debts would be more than 5% of the equity interests of the Company.
- 3.11 Shareholder approval is also being sought for the purposes of ASX Listing Rule 10.1 in respect of the amounts payable by the Company to Steven Nicols and related parties.
- 3.12 Australian Securities and Investments Commission ("ASIC") Regulatory Guide 111 "Content of Experts Reports" requires, amongst other things that directors of a company need to provide shareholders with an analysis of whether a proposed transaction is fair and reasonable, when considered in the context of the interests of the non-associated shareholders. Regulatory Guide 111 recommends that this analysis should include an independent expert's report. The independent expert is required to state whether, in their opinion, the proposal is fair and reasonable having regard to the interests of non-associated shareholders and state the reasons for forming that opinion. This report provides such an opinion.

4. OPINION

4.1 In our opinion, the proposed Transaction is fair and reasonable to the Non-Associated Shareholders of CLB.

4.2 Our opinion is based solely on information available as at the date of this report. The principal factors that we have considered in forming our opinion are summarised below.

4.3 *Fairness*

4.3.1 Based on the analysis contained in section 8 of this report, the indicative value of the CLB shares is currently *nil* given the Company is in a negative net asset position with no current business activity.

4.3.2 The Transaction will result in the Company having a net cash position of approximately \$70,000 with no liabilities.

4.3.3 Following completion of the Transaction, the Company will have a net asset position of approximately \$70,000 with 100,000,000 shares on issue, equating to a net asset backing of \$0.0007 per share. This compares to the cash consideration being paid by Annerley for the ordinary shares in CLB of \$0.0023 per share.

4.3.4 The amount to be repaid to Benelong is equivalent to the outlay incurred by Benelong to extinguish all debts of the Company, with no interest or additional financial benefits being provided.

4.3.5 We have determined that the Transaction is fair based on the following:

- a) The value of the CLB shares held by Non-Associated Shareholders increases as a result of the Transaction; and
- b) The amount to be paid to Benelong is an arms-length transaction and does not include any interest or other amount in excess of the amount incurred by Benelong on behalf of the Company. As the Company will be reimbursing Benelong without any interest for the Australian Debts it has incurred, the net benefit to Benelong is zero. With respect to the extinguishment of the US Debt, Benelong will receive from Annerley at least \$15,021.78 which does not involve any payment from the Company.

4.4 *Reasonableness*

4.4.1 ASIC Regulatory Guide 111 states that a transaction is reasonable if:

- The Transaction is fair; or
- Despite not being fair the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

4.4.2 We have concluded that the Transaction is reasonable. In forming our opinion we have considered the following relevant factors.

- The Transaction will raise \$200,000 which will be used to repay Benelong with the balance being working capital.

- The Transaction would result in a net cash position of approximately \$70,000 after the payment of creditors, with the Company having no liabilities, compared with the current position where the Company has no assets and significant debts of approximately \$11.6 million.
- If the Transaction is completed, the Company's chances to continue to investigate opportunities are enhanced as without the recapitalisation, it is likely that the Company would be liquidated with no prospect on a return for shareholders.
- It is anticipated the Company will now need to find a new business and raise additional funds so that it could meet the Listing Rules.
- The proposed directors bring additional expertise to the Company as they have financial, legal, finance and corporate experience as directors or managers of other entities.

4.5 *Accordingly, in our opinion, the Transaction is fair and reasonable to the Non-Associated Shareholders of CLB.*

5 BASIS OF EVALUATION

- 5.1 In our assessment of whether the Transaction is fair and reasonable to CLB Non-Associated Shareholders, we have given due consideration to the Regulatory Guides issued by the ASIC, in particular, Regulatory Guide 74 “Acquisitions Agreed to by Shareholders”, Regulatory Guide 111 “Content of Experts Reports” and Regulatory Guide 112 “Independence of Experts Reports”.
- 5.2 ASIC Regulatory Guide 74 requires, amongst other things, that shareholders are provided with sufficient information to make an effective, informed decision on whether the proposed Transaction is fair and reasonable. Under Regulatory Guide 111, a transaction is “fair” if the value of the asset being acquired or consideration received is equal to or greater than the value of the shares being issued. Additionally, under Regulatory Guide 111 an offer is “reasonable” if it is fair or if shareholders would obtain an overall benefit if the transaction proceeds. It is possible for an offer to be reasonable despite being unfair, if after considering other non-financial factors the shareholders should still accept the offer.
- 5.3 Our report has compared the likely advantages and disadvantages to non-associated shareholders if the Transaction is agreed to, with the advantages and disadvantages to those shareholders if it is not. Comparing the consideration to be paid under the proposal and the value of the shares being issued is only one element of this assessment.
- 5.4 Additionally we have considered whether any shareholder will obtain a level of control in CLB as a result of the proposed transaction. In the event that a change in control arises from the proposed transaction, proportionately greater benefits to non-associated shareholders must be demonstrated. In this case there is a change in control from the perspective of the Non-Associated Shareholders of CLB and therefore this issue needs to be considered in comparing the value received by Non-Associated Shareholders in comparison to the value being paid.
- 5.5 Normal valuation practice is to determine the fair market value of an asset assuming a counter party transaction between a willing and not anxious buyer and a willing but not anxious seller, clearly at arm’s length. We have adopted this approach in determining the market value of CLB.
- 5.6 We consider that the Transaction will be reasonable if, on balance, the Non-Associated Shareholders in CLB will be better off if the Transaction is approved. We will also consider the Non-Associated Shareholder’s interests should the Transaction not proceed.
- 5.7 In our assessment of the Transaction we have considered, in particular the following:
- The operational and financial position of CLB;
 - The value of CLB shares, under various methodologies;
 - Any control premium associated with the Transaction;
 - The advantages and disadvantages associated with approving the Transaction;
 - Share trading history of CLB shares;
 - The likely value and liquidity of CLB shares in the absence of the acquisition.
- 5.8 The documents and information relied on for the purpose of this valuation are set out in Appendix I. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to

believe that material facts have been withheld. The information provided was evaluated through analysis, enquiry and review for the purpose of forming an opinion as to whether the Transaction is fair and reasonable. However, in assignments such as this, time is limited and we do not warrant that our enquiries have identified or verified all of the matters which an audit or more extensive examination might disclose. None of these additional tasks have been undertaken.

- 5.9 We understand the accounting and other financial information that was provided to us has been prepared in accordance with generally accepted accounting principles.
- 5.10 An important part of the information used in forming an opinion of the kind expressed in this report is the opinions and judgement of management. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.
- 5.11 HCC are not the auditors of CLB. We have analysed and reviewed information provided by the directors and advisers of CLB and made further enquiries where appropriate.
- 5.12 This report has been prepared after taking into consideration the current economic and market climate. We take no responsibility for events occurring after the date of this report which may impact upon this report or which may impact upon the assumptions referred to in the report.

6 OVERVIEW OF CLB

6.1 Corporate History

- 6.1.1 CLB was founded in 2014 and is based in Sydney, Australia.
- 6.1.2 CLB is a specialty market confectionery company which engaged in a business-to-business and business-to-customer online candy business in the United States. The company offered sugar confectionery, chocolates and gums.
- 6.1.3 On 11 October 2022 the company's shares were suspended, pending the outcome of re-financing discussions with a USA based investment bank. The discussions did not produce a satisfactory result. On 25 October 2022, Matthew Jess and Ivan Glavas of Worrells, were appointed Voluntary Administrators of the Company.
- 6.1.4 The Voluntary Administrators commenced a re-capitalisation campaign and advertised in the Australian Financial Review. After receiving no viable offers, the Voluntary Administrators called a meeting pursuant to Section 439A of the Corporations Act to decide the company's future. The creditor's debts totalled \$11,591,024. The USA business was insolvent and all USA assets were under a secured charge to a USA based lender. The Voluntary Administrator did not trade-on the USA subsidiary, nor did they attempt to realize any assets because the secured creditor was owed several million dollars in excess of the assets of the USA candy business. The Voluntary Administrator reported to creditors that the shares in the USA subsidiary were therefore of nil value. The Voluntary Administrator sold the shares for a nominal sum.

6.2 Financial Information

- 6.2.1 The completion of the Transaction will increase the Company's cash balance by \$200,000 (before costs) and also increase the Company's net assets by the same amount. The Company's only asset will be the cash raised, less any amounts expended in accordance with the table set out below:

Total funds raised	\$200,000
Discharge of Creditors at agreed compromise	122,923
ASIC fees	6,084
ASX fees	978
Working Capital remaining in the Company	70,015
Total funds utilised	\$200,000

- 6.2.2 The Company has not presented a current balance sheet as recent historical audited financial information is not available owing to the Company being in administration. In addition, the Company is of the opinion that to present a financial position based on this historical information would not be representative of the Company's current financial position.
- 6.2.3 Worrells Voluntary Administrators Report to Creditors dated 30 January 2023 reported that the Company had a negative net asset position of \$11,401,533, comprising the following:

- Cash at bank of \$189,972;
- Priority creditors \$481;
- Unsecured creditors of \$11,591,024.

6.2.4 The Voluntary Administrator issued three creditors reports and for the Section 439A creditors meeting report, he recommended that CLB be placed into liquidation. Creditors voted however to end the Voluntary Administrators role without the need for a Deed of Company Arrangement and instead accept the Recapitalisation Proposal for Benelong to take over the arrangement the settlement of the creditors.

6.2.5 Effectively following the Transaction and amounts expended above, the cash balance and net assets of the Company will be approximately \$70,000 as shown in the below pro forma financial position:

Pro forma Balance Sheet	
Cash Assets	<u>70,000</u>
Net Assets	70,000
Shareholders Equity	70,000

6.2.6 Set out below is the Audited Consolidated Profit and Loss Statements of CLB for the last two financial years ending 31 December 2020 (“2020”) and 31 December 2021 (“2021”). Due to the Company being placed in Administration, a profit and loss statement is not available for the 2022 financial year.

	2021	2020
	US\$	US\$
Revenue	16,540,956	8,673,772
Other income	-	302,434
Interest income	113	64
Cost of sales	(10,039,150)	(5,373,371)
Corporate and administration expenses	(1,448,514)	(1,466,327)
Marketing and promotion expenses	(6,128,990)	(2,380,205)
Employee benefits expense	(3,501,273)	(2,614,669)
Development expenses	(82,656)	(109,348)
Depreciation and amortisation expense	(169,584)	(161,699)
Technology expenses	(268,602)	(183,949)
Property expenses	(41,284)	(23,275)
Other expenses	(1,386,890)	(595,631)
Finance costs	(1,396,081)	(602,838)
Loss before income tax expense	(7,921,955)	(4,535,042)
Foreign currency translation	(141,820)	(427,305)
Total comprehensive loss for the year	(8,063,775)	(4,962,347)

7 VALUATION METHODOLOGIES

7.1 Selection of Methodology

7.1.1 In order to assess the fairness of the Transaction a value needs to be attributed to CLB shares.

7.1.2 In assessing the value of CLB we have considered a range of valuation methods. ASIC Regulatory Guide 111 *Content of Expert Reports* states that in valuing a company the expert should consider the following commonly used valuation methodologies:

- Market Value of Shares: the quoted price for listed securities in a liquid and active market;
- Capitalisation of Future Maintainable Earnings: the value of trading operations based on the capitalisation of future maintainable earnings;
- Discounted Cash Flow: the net present value of future cash flows;
- Realisation of Assets: the amount that would be available for distribution to security holders on an orderly realisation of assets.

7.1.3 *Financial information relied upon in assessing valuation methods:* We have reviewed the financial information for the last three years of CLB. Ultimately, the Management of CLB are responsible for the preparation and presentation of the financial information provided. The purpose of our review is to establish that the financial information used is not materially misstated. This review does not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion. We also note that historical financial information does not represent the current business and therefore is not considered relevant to this Transaction.

We consider each of these valuation methodologies below.

7.1.4 *Market Value of Shares as Quoted on the ASX*

This method involves the valuation of an entity based on its actively traded equities, which represent the market capitalisation of the share capital of the entity, in a liquid and knowledgeable market.

If a quoted ordinary equity is traded in an active, liquid and knowledgeable market, then the market price of the quoted ordinary equity should represent the ‘fair’ market value of the quoted ordinary equity.

A premium may also need to be applied to the value of the quoted ordinary equity to determine the value of the equity holding in the circumstances where a party is acquiring or increasing a controlling equity position.

The CLB shares have been suspended from trading on the ASX since 11 October 2022. Therefore this method is not appropriate for the valuation of CLB shares.

7.1.5 *Capitalisation of Future Maintainable Earnings*

Under the earnings-based valuation method, the value of the business is determined by capitalising the estimated future maintainable earnings of the business at an appropriate capitalisation rate or multiplier of earnings. The multiple is a coefficient, representing the risk that the business may not achieve projected earnings.

This method is appropriate in valuing a business when there is a history of earnings, the business is established and it is assumed the earnings are sufficiently stable to be indicative of ongoing earnings potential.

This method is not considered appropriate for the valuation of CLB due to the losses incurred to-date and that there is no longer a business to forecast any future earnings.

7.1.6 *Discounted Cash Flow – Net Present Value*

Discounted cash flow valuations involve calculating the value of a business on the basis of the net cash flow that will be generated from the business over its life. The cash flows are discounted to reflect the time value of money and the risk involved with achieving the forecast cash flows. A terminal value at the end of the explicit forecast period is then determined and that value is also discounted back to the valuation date to give an overall value of the business.

Management of CLB are unable to forecast future cash flows as there is no current business activity, and therefore a value cannot be placed on the company using the discounted cash flow method.

7.1.7 *Realisation of Assets*

The net assets or cost based approach to value is based on the assumption that the value of all assets (tangible and intangible) less the value of all liabilities should equal the value of the entity. The net asset value is determined by marking every asset and liability on and off the company's balance sheet to current market values.

This approach is generally not appropriate where assets are employed productively and are earning more than the cost of capital. It is often used as a cross check to assess the relative riskiness of the business.

Given the lack of business activity, we have considered the book value of the net assets given the lack of other appropriate valuation methods.

8 VALUE OF CLB

8.1 CLB valuation considerations

- 8.1.1 In considering the valuation of the CLB shares we have considered the following:
- a) CLB currently has no business activity;
 - b) CLB's shares are currently suspended and the Company is in a negative net asset position prior to the funds being raised by the Transaction to complete the repayment of creditors.
- 8.1.2 A premium would generally be considered for obtaining control of a public company which in this case is partially diminished because of the regulatory requirements necessary to achieve the relisting of shares and recapitalisation of the Company. However any value attributed to the listed company shell which would also represent a premium for control would not be sufficient to result in a positive net asset value given the substantial negative net asset position of the Company prior to approval of the Transaction.

8.2 Conclusion on the Value of CLB Shares

- 8.2.1 As detailed at section 6, CLB had a significant amount of debt, approximately \$11.6 million, prior to Benelong negotiating the Recapitalisation Proposal with Creditors for shareholders approval.
- 8.2.2 Prior to approval of the Transaction the net assets of the Company are of negative value. We are therefore of the opinion that the value of the CLB shares for the purpose of this report is *nil* prior to the Transaction occurring.

9 ADVANTAGES & DISADVANTAGES OF THE TRANSACTION

9.1 Approach to assessing Fairness and Reasonableness

HCC has followed the guidelines of ASIC Regulatory Guide 111 in assessing the fairness and reasonableness of the Transaction. In forming its conclusions in this report, HCC compared the advantages and disadvantages for Non-Associated Shareholders if the Transaction proceeds.

9.2 Advantages of the Transaction

- 9.2.1 The Transaction will raise \$200,000 which will be used to repay Benelong with the balance to be used as working capital.
- 9.2.2 The Transaction would result in a net cash position of approximately \$70,000 after the payment of creditors, with the Company having no liabilities, compared with the current position where the Company has no assets and significant debts of approximately \$11.6 million.
- 9.2.3 If the Transaction is completed, the Company's chances to continue to investigate opportunities are enhanced as without the recapitalisation, it is likely that the Company would be liquidated with a probable result of no return to shareholders.
- 9.2.4 The Company will however need to find a new business and raise additional funds so that it could meet the Listing Rules.
- 9.2.5 The proposed directors bring additional expertise to the Company as they have financial, legal, finance and corporate experience as directors or managers of other entities.

9.3 Disadvantages of the Transaction

- 9.3.1 There may be other opportunities CLB will not be able to undertake to realise the value of its listing if it accepts the Transaction due to the controlling interest being obtained by Annerley.
- 9.3.2 An opportunity may be lost to obtain a takeover premium for the Company's shares unless Annerley sold their interest in CLB or subscribed for a 100% interest.
- 9.3.3 The Transaction will result in the dilution of current shareholders ownership percentages to approximately 15%.
- 9.3.4 ASX has absolute discretion in deciding whether or not to re-admit the Company to the official list and to quote its securities. This means the Company may not be reinstated and the shares may never be requoted.
- 9.3.5 The Company would only have net cash of approximately \$70,000 following completion of the Transaction. The Company will still need to find a new business and raise additional funds so that it would meet Listing Rule requirements.
- 9.3.6 If the Company seeks new business opportunities, it is not certain that such businesses will be profitable.

10 CONCLUSION AS TO FAIRNESS AND REASONABLENESS

10.1 *Fairness*

10.1.1 Based on the analysis contained in section 8 of this report, the indicative value of the CLB shares is currently *nil* given the Company is in a negative net asset position with no current business activity. This would be the case even after considering a premium for control.

10.1.2 The Transaction will result in the Company having a net cash position of approximately \$70,000 with no liabilities.

10.1.3 Following completion of the Transaction, the Company will have a net asset position of approximately \$70,000 and 100,000,000 shares on issue, equating to a net asset backing of \$0.0007 per share. This compares to the cash consideration being paid by Annerley for the ordinary shares in CLB of \$0.0023 per share.

10.1.4 The amount to be repaid to Benelong is equivalent to the outlay incurred by Benelong to extinguish all debts of the Company, with no interest or additional financial benefits being provided.

10.1.5 We have determined that the Transaction is fair based on the following:

- a) The value of the CLB shares held by Non-Associated Shareholders increases as a result of the Transaction; and
- b) The amount to be paid to Benelong is an arms-length transaction and does not include any interest or other amount in excess of the amount incurred by Benelong on behalf of the Company. As the Company will be reimbursing Benelong without any interest for the Australian Debts it has paid, the benefit to Benelong is zero and therefore the amount paid is fair. The Transaction will also include the extinguishment of the US Debt by Benelong receiving from Annerley \$15,021.78 which does not involve any payment from the Company.

10.2 Reasonableness

10.2.1 ASIC Regulatory Guide 111 states that a transaction is reasonable if:

- The Transaction is fair; or
- Despite not being fair the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

10.2.2 In forming our opinion we have considered the following relevant factors.

- The Transaction will raise \$200,000 which will be used to repay Benelong with the balance being working capital.
- The Transaction would result in a net cash position of approximately \$70,000 after the payment of creditors, with the Company having no liabilities, compared with the current position where the Company has no assets and significant debts of approximately \$11.6 million.

- If the Transaction is completed, the Company's chances to continue to investigate opportunities are enhanced as without the recapitalisation, it is likely that the Company would be liquidated with no prospect of a return for shareholders.
- It is anticipated the Company will now need to find a new business and raise additional funds so that it could meet the Listing Rules.
- The proposed directors bring additional expertise to the Company as they have financial, legal, finance and corporate experience as directors or managers of other entities.

10.2.3 Accordingly, in our opinion, having considered the advantages of the Transaction and the alternatives of not proceeding with the Transaction, in our opinion the Non-Associated Shareholders of CLB should benefit if the Transaction proceeds and therefore, in our opinion, the Transaction is reasonable.

Yours faithfully
Hall Chadwick Corporate (NSW) Limited



DREW TOWNSEND

APPENDIX I - SOURCES OF INFORMATION

- Candy Club Holdings Limited Audited Financial Reports for FY2020 and FY2021;
- Voluntary Administrators Report to Creditors dated 30 January 2023;
- Various documentation evidencing the funds advanced by Benelong on behalf of the Company;
- Candy Club Holdings Limited Notice of General Meeting and Explanatory Memorandum;
- CLB Company registry details;
- Regulatory Guide 74 ‘Acquisitions Agreed to by Shareholders’;
- Regulatory Guide 111 ‘Content of Expert Reports’;
- Regulatory Guide 112 ‘Independence of Expert’s Reports’; and
- APES 225 ‘Valuation Services’.

APPENDIX II - STATEMENT OF DECLARATION & QUALIFICATIONS

Confirmation of Independence

Prior to accepting this engagement HCC determined its independence with respect to CLB and Annerley with reference to ASIC Regulatory Guide 112 (RG 112) titled “Independence of Expert’s Reports”. HCC considers that it meets the requirements of RG 112 and that it is independent of CLB.

Also, in accordance with s648 (2) of the Corporations Act we confirm we are not aware of any business relationship or financial interest of a material nature with CLB or Annerley, its related parties or associates that would compromise our impartiality.

Mr Drew Townsend, director of Hall Chadwick Corporate (NSW) Limited, who is a registered company auditor, has prepared this report. Neither they nor any related entities of Hall Chadwick Corporate (NSW) Limited have any interest in the promotion of this Transaction nor will Hall Chadwick Corporate (NSW) Limited receive any benefits, other than normal professional fees, directly or indirectly, for or in connection with the preparation of this report. The fee is not contingent upon the success or failure of the proposed Transaction and has been calculated with reference to time spent on the engagement at normal professional fee rates for work of this type. Accordingly, HCC does not have any pecuniary interests that could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion under this engagement.

HCC provided a draft copy of this report to the Directors of CLB for their comment as to factual accuracy, as opposed to opinions, which are the responsibility of HCC alone. Changes made to this report, as a result of the review by the Directors of CLB have not changed the methodology or conclusions reached by HCC.

Reliance on Information

The statements and opinions given in this report are given in good faith and in the belief that such statements and opinions are not false or misleading. In the preparation of this report HCC has relied upon information provided on the basis it was reliable and accurate. HCC has no reason to believe that any information supplied to it was false or that any material information (that a reasonable person would expect to be disclosed) has been withheld from it. HCC evaluated the information provided to it by CLB as well as other parties, through enquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially mis-stated or would not afford reasonable grounds upon which to base our report. Accordingly, we have taken no further steps to verify the accuracy, completeness or fairness of the data provided.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards. HCC does not imply and it should not be construed that it has audited or in anyway verified any of the information provided to it, or that its enquiries could have verified any matter which a more extensive examination might disclose.

The sources of information that we relied upon are outlined in Appendix I of this report.

CLB has provided an indemnity to HCC for any claims arising out of any mis-statement or omission in any material or information provided by CLB to HCC in preparation of this report.

Qualifications

Hall Chadwick Corporate (NSW) Limited (“HCC”) carries on business at Level 40, 2 Park Street, Sydney NSW 2000. HCC holds Australian Financial Services Licence No. 227902 authorising it to provide financial product advice on securities to retail clients. HCC’s representatives are therefore qualified to provide this report.

Consent and Disclaimers

The preparation of this report has been undertaken at the request of the Directors of CLB. It also has regard to relevant ASIC Regulatory Guides. It is not intended that the report should be used for any other purpose than to accompany the Notice of General Meeting to be sent to CLB shareholders. In particular, it is not intended that this report should be used for any purpose other than as an expression of HCC’s opinion as to whether or not the Proposed Transaction is fair and reasonable. HCC consent to the issue of this report in the form and context in which it is included in the Notice of General Meeting to be sent to CLB shareholders.

Shareholders should read all documents issued by CLB that consider the proposed Transaction in its entirety, prior to proceeding with a decision. HCC had no involvement in the preparation of these documents, with the exception of this report.

This report has been prepared specifically for the non-associated shareholders of CLB. Neither HCC, nor any member or employee thereof undertakes responsibility to any person, other than a non-associated shareholder of CLB, in respect of this report, including any errors or omissions howsoever caused. This report is "General Advice" and does not take into account any person's particular investment objectives, financial situation and particular needs. Before making an investment decision based on this advice, you should consider, with or without the assistance of a securities advisor, whether it is appropriate to your particular investment needs, objectives and financial circumstances.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards (AUS).

Our opinions are based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. Furthermore, financial markets have been particularly volatile in recent times. Accordingly, if circumstances change significantly, subsequent to the issue of the report, our conclusions and opinions may differ from those stated herein. There is no requirement for HCC to update this report for information that may become available subsequent to this date.

APPENDIX VI - FINANCIAL SERVICES GUIDE

Dated 18 April 2023

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by Hall Chadwick Corporate (NSW) Limited ABN 28 080 462 488, Australian Financial Services Licence Number 227902 (HCC).

This FSG includes information about:

- HCC and how they can be contacted
- the services HCC is authorised to provide
- how HCC are paid
- any relevant associations or relationships of HCC
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- the compensation arrangements that HCC has in place.

This FSG forms part of an Independent Expert's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of dealing in the particular financial product.

Financial services that HCC is authorised to provide

HCC holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for securities and interests in managed investment schemes, including investor directed portfolio services, to retail clients.

We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of finance products.

HCC's responsibility to you

HCC has been engaged by the independent directors of Candy Club Holdings Limited (“CLB” or the “Client”) to provide general financial product advice in the form of a Report to be included in the Notice of Meeting (Document) prepared by CLB in relation to the proposed Transaction.

You have not engaged HCC directly but have received a copy of the Report because you have been provided with a copy of the Document. HCC nor the employees of HCC are acting for any person other than the Client.

HCC is responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As HCC has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees HCC may receive

HCC charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay HCC \$13,000 (excluding GST and out of pocket expenses) for preparing the Report. HCC and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of this Report.

HCC officers and representatives receive remuneration from Hall Chadwick and associated entities. Remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

Referrals

HCC does not pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

HCC is controlled by and operates as part of the Hall Chadwick Sydney Partnership. HCC's directors may be partners in the Hall Chadwick Sydney Partnership. Mr Drew Townsend, director of HCC and a partner in the Hall Chadwick Sydney Partnership, has prepared this report. The financial product advice in the Report is provided by HCC and not by the Hall Chadwick Sydney Partnership.

From time to time HCC, the Hall Chadwick Sydney Partnership and related entities (HC entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses. Over the past two years no professional fees have been received from the Client.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the Transaction.

Complaints resolution

If you have a complaint, please let HCC know. Formal complaints should be sent in writing to:

The Complaints Officer
Hall Chadwick Corporate (NSW) Limited
GPO Box 3555
Sydney NSW 2001

If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9263 2600 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If HCC cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Australian Financial Complaints Authority (AFCA). AFCA provides free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about AFCA are available at their website www.afca.org.au or by contacting them directly at:

Australian Financial Complaints Authority Limited

GPO Box 3, Melbourne Victoria 3001

Telephone: 1800 931 678

Facsimile (03) 9613 6399

Email: info@afca.org.au

The Australian Securities and Investments Commission also has a free call infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

HCC has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact Details

You may contact HCC at:

Hall Chadwick Corporate (NSW) Limited

GPO Box 3555

Sydney NSW 2001

Telephone: 02 9263 2600

Facsimile: 02 9263 2800