

23 December 2022

ASX Announcement

Cleansing notice under section 708A(12C)(e) of the Corporations Act

This cleansing notice (**Cleansing Notice**) is given by Kaddy Limited (ASX:KDY) (**Company**) under section 708A(12C)(e) of the *Corporations Act 2001* (Cth) (**Corporations Act**) (as notionally inserted by *ASIC Corporations (Sale Offers: Securities Issued on Conversion of Convertible Notes) Instrument 2016/82*).

The Company advises that it has today issued 1,473,500 convertible notes. The convertible notes were issued without disclosure to investors under Part 6D.2 of the Corporations Act.

The purpose of this Cleansing Notice is to enable the shares that may be issued on any future conversion of the convertible notes to be on-sold to retail investors without further disclosure.

This Cleansing Notice is an important document and should be read in its entirety. Neither ASIC nor ASX takes any responsibility for the contents of this Cleansing Notice.

1. Background

The Company announced on 19 December 2022 that it was proposing to undertake a capital raising by the issue of convertible notes (**Notes**) as follows:

- (a) Triton subscriptions:
 - (i) an initial issue of 700,000 Notes to Triton Growth Management Pte Ltd (**Triton**) for a subscription price of \$700,000 (**Tranche 1 Triton Notes**);
 - (ii) a subsequent issue of 1,300,000 Notes to Triton for a subscription price of \$1,300,000 by 31 January 2023; and
 - (iii) up to an additional 5,000,000 Notes to Triton for a subscription price of \$5,000,000, subject to mutual agreement between the Company and Triton (**Subsequent Triton Notes**);
- (b) Existing shareholder subscriptions: an issue of 773,500 Notes to existing shareholders who are not related parties of the Company, for a subscription price of \$773,500 (**Shareholder Notes**); and
- (c) Director subscriptions: an issue of 250,000 Notes to entities controlled by Directors of the Company, for a subscription price of \$250,000.

The Company has today issued the Tranche 1 Triton Notes and the Shareholder Notes (together, **Tranche 1 Notes**).

Additional cleansing notices will be issued following the issue of any other Notes.

The Company cautions that the issue of any Subsequent Triton Notes is subject to and conditional on the Company electing to issue a request notice to Triton, and Triton agreeing to such a request, in its absolute and sole discretion. There is therefore no certainty that there will be any Subsequent Notes issued.

The terms of the Notes are in the Convertible Note Agreements (**Agreements**) executed by the Company and each of the holders of the Tranche 1 Notes (together, **Noteholders**).

The Directors of the Company consider that the entry into the Agreement and the issue of the Tranche 1 Notes is in the best interests of shareholders. The funding bears a reasonable borrowing cost with conversion rights at a premium to the share price as at the date of entering into the Agreements, potentially limiting dilution. The Company considered alternatives including an equity placement, rights issue, and sourcing loans from alternative debt providers. The funding with the Noteholders was selected due to its certainty and efficiency of completion; relatively low potential dilutionary impact; its relatively low cost of funds; and that upon conversion the underlying shares are anticipated to be held by long-term investors.

Overall, as compared to the alternative sources of finance, the Board considered the arrangements under the Agreements to be in the best interests of the Company's shareholders.

Conversion of the Tranche 1 Notes is subject to, and conditional on, the receipt of prior shareholder approval. Accordingly, the Tranche 1 Notes have not been issued utilising the Company's placement capacity under ASX Listing Rule 7.1.

2. Contents of this Cleansing Notice

This Cleansing Notice sets out the following:

- (a) the effect of the issue of the Tranche 1 Notes on the Company;
- (b) a summary of the rights and liabilities attaching to the Tranche 1 Notes;
- (c) a summary of the rights and liabilities attaching to the fully paid ordinary shares (**Shares**) that will be issued on the conversion of the Tranche 1 Notes; and
- (d) any information that:
 - (i) has been excluded from the Company's continuous disclosure notices in accordance with the ASX Listing Rules; and
 - (ii) is information that investors and their professional advisors would reasonably require for the purpose of making an informed assessment of:
 - (A) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
 - (B) the rights and liabilities attaching to the Shares; and
 - (C) other information relating to the Company's status as a disclosing entity.

3. The effect of the issue on the Company

3.1 Effect of the issue on the Company

The principal effect of the issue of the Tranche 1 Notes on the Company will be to:

- (a) increase the Company's cash reserves by \$1,438,500, representing the aggregate subscription price of \$1,473,500 less the establishment fee of \$35,000 (before other costs associated with the issue);

- (b) increase the number of Notes on issue from nil to 1,473,500;
- (c) give rise to the Company having an unsecured liability for the aggregate amount of the face value of the Tranche 1 Notes (\$1,473,500) plus accrued interest;
- (d) if the Tranche 1 Notes are converted (which remains subject to shareholder approval), either wholly or in part to Shares, increase the number of Shares on issue as a consequence of the issue of Shares on such conversion; and
- (e) require the Company to issue of 5,694,000 options to the Noteholders, exercisable at \$0.10 each and expiring on 30 June 2023, subject to the receipt of prior shareholder approval.

3.2 Pro-forma consolidated statement of financial position

- (a) Set out in the Annexure to this Cleansing Notice is a pro forma consolidated Statement of Financial Position as at 30 June 2022 for the Company based on the audited 30 June 2022 accounts adjusted to reflect the Tranche 1 Notes issue and has been prepared on the basis of the accounting policies normally adopted by the Company.
- (b) The pro forma financial information is presented in an abbreviated form in so far as it does not include all of the disclosures required by the International Accounting Standards applicable to the Company's annual financial statements. The pro forma financial information is not audited. The classification of the allocations between debt and equity for the Notes may change in the future.

3.3 Potential effect on capital structure

The capital structure of the Company as at the date of this Cleansing Notice, before the issue of the Tranche 1 Notes, is set out below:

Type of security	Number
Shares	135,730,084
Unquoted options	6,905,983
Performance securities	10,229,049

Notes:

- 1. Comprised of unquoted options with exercise prices ranging between \$0.125 to \$2.4375 and with expiry dates ranging between 31 December 2022 and 26 October 2027.
 - 2. Performance securities with expiry dates ranging between 8 December 2025 and 29 November 2027 and subject to the satisfaction (or where permitted, waiver by the Company) of vesting conditions.
 - 3. In addition to the securities described above, the Company is required to issue Shares to (a) New Technology Capital Group, LLC pursuant to the institutional funding arrangement announced on 18 August 2022; and (b) Bibendum Wine Co Pty Ltd pursuant to the partnership announced on 29 June 2022.
- (a) In addition to the above, subject to the receipt of prior shareholder approval, the Company is required to issue 5,894,000 options to the Noteholders, exercisable at \$0.10 each and expiring on 30 June 2023.

The Tranche 1 Notes will become convertible following the receipt of shareholder approval, to be sought at a general meeting to be convened shortly. Following the receipt of the requisite shareholder approval, the Tranche 1 Notes will be convertible at a price of \$0.05 each.

None of the Noteholders were substantial shareholders of the Company as at the date of this Cleansing Notice.

The table below shows the potential effect of the conversion of all Tranche 1 Notes, as at the date of this Cleansing Notice.

	Shares	% of Shares	Options	Performance securities	Notes
Existing Securities	135,730,084	81%	6,905,983	10,229,049	1,473,500
Conversion of Tranche 1 Notes	32,417,000	19%	6,483,400	-	(1,473,500)
TOTAL	165,200,084	100%	12,799,983		Nil

Notes:

1. Assumes all Tranche 1 Notes are converted and all Options to be issued to the Noteholders have been issued.
2. Assumes the maximum interest payable has been converted into Shares.
2. Assumes that no additional Shares are issued prior to conversion of the Tranche 1 Notes.
3. Assumes no Notes have been issued other than the Tranche 1 Notes.
4. Fractions have been rounded to the nearest Share.

4. Rights and liabilities attaching to the Tranche 1 Notes

The following is a broad summary of the rights, privileges and restrictions attaching to the Tranche 1 Notes.

The summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of the Noteholders.

Face Value	\$1,473,500.
Issue Date	23 December 2022.
Interest	10% per annum If any Note is converted or redeemed within the first six months following the Issue Date, a minimum interest period of nine months will apply. Interest is to accrue and be paid in cash upon redemption or converted into Shares (at the Conversion Price) upon conversion (as the case may be).
Establishment Fee	In respect of the Tranche 1 Triton Notes: 5% of the face value of the Notes. In respect of the Shareholder Notes: Not applicable.

Maturity Date	One year from the Issue Date or such other date as may be agreed.
Conversion Price	\$0.05.
Conversion by the Noteholder	<p>Conversion of the Notes is subject to and conditional on the receipt of prior shareholder approval.</p> <p>Subject to the above:</p> <ul style="list-style-type: none"> • The Notes may be converted by the Noteholder at any time before the Maturity Date by the provision of a conversion notice. • Such conversion will be at the Conversion Price. Each conversion notice must specify how many Notes the Noteholder elects to convert and must be for a face value in an amount equal to or greater than \$10,000 (unless the remaining face value of the Notes held by the Noteholder is less than \$10,000). <p>With the exception of Triton (for which shareholder approval will be sought under item 7 of section 611 of the Corporations Act), Shares will not be issued on conversion of any Notes if such conversion would cause any person to hold a relevant interest in more than 20% of the Shares on issue.</p>
Redemption	<p>The Notes may be redeemed by the Noteholder by the provision of a written redemption notice to the Company upon the occurrence of either an event of default or a change of control event.</p> <p>The redemption date specified by the Noteholder in the written redemption notice must be at least:</p> <ul style="list-style-type: none"> • 5 business days after the provision of the written notice following an event of default occurring; or • immediately prior to the completion of the change of control event, <p>as the case may be.</p>
Security	The Notes are unsecured.
Representations and warranties	The Company has provided the Noteholder with customary representations and warranties.
Events of default	<p>The Agreement includes typical events of default, including, amongst other things, the following (in summary):</p> <ul style="list-style-type: none"> • material breach of undertaking or obligation: the Company fails to perform any undertaking or obligation required of it under the Agreement (or associated documents), and that failure would be likely to have a material adverse effect, unless the failure:

	<ul style="list-style-type: none">○ is capable of remedy; and○ is remedied within 5 business days of the receipt by the Company of a notice from the Noteholder specifying the failure;• material misrepresentation: a warranty provided by the Company is incorrect or misleading when made or taken to be made and the error is reasonably likely to have a material adverse effect and, if the circumstances giving rise to the misrepresentation can be remedied, the Company does not remedy them within 10 business days of the Noteholder notifying the Company, or the Company becoming aware of the relevant circumstances (whichever is the earlier);• Insolvency Event: an insolvency event occurs without the prior written consent of the Noteholder;• distress or other execution: the process of any court of authority is invoked against the Company or a material part of the property of the Company to enforce any judgement or order for any amount;• Encumbrance: any encumbrance is or becomes enforceable against any asset of the Company or any member of the Company group for amounts totalling more than \$500,000;• Judgment: a judgment in an amount exceeding \$500,000 is obtained against the Company or any member of the Company group and is not set aside or satisfied within 10 business days or has not been stayed pending the outcome of an appeal to any higher court;• vitiation of Agreement:<ul style="list-style-type: none">○ all or any part of any provision of any the Agreement (or associated documents) is or becomes illegal, void, voidable, unenforceable or otherwise of limited force or effect;○ any person becomes entitled to terminate, rescind or avoid all or any material part or material provision of the Agreement (or associated documents);○ the execution, delivery or performance of the Agreement (or associated documents) by the Company violates, breaches or results in a contravention of any law, regulation or authorisation;• Delisting: any securities of the Company are removed from the official list of ASX or suspended
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	<p>from trading on the ASX for more than 5 consecutive trading days;</p> <ul style="list-style-type: none"> • Deregistration: any member of the Company group is deregistered by ASIC; • Failure to comply with Listing Rules: the Company contravenes any material provision of the Corporations Act, the ASX Listing Rules or any other applicable legislation or any policy or requirement of ASIC or ASX; • Non-issue of Shares: the Company fails to issue any Shares required to be issued under the Agreement within 3 business days of the date of the requirement to issue the Shares arises; • Non-payment: the Company fails to pay any amount due under the Agreement within 3 business days of the due date; • Change of Control Event: the Company fails to provide the Noteholder with a notice of a change of control event as required under the Agreement; and • Negative covenants: the Company fails to comply with the negative covenants under the Agreement.
Reconstructions	<p>If there is a reconstruction of the issued capital of the Company, then the basis for conversion of the Note will be reconstructed in the same proportion and manner as the reconstruction of the issued capital of the Company or otherwise in a manner that would eliminate any disadvantage to the Noteholder, subject to such reconstruction being consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction. Such reconstruction must not result in the Noteholder receiving a benefit that holders of Shares do not receive.</p>
Bonus issues	<p>If the Company makes a bonus issue of Shares or other securities to existing shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):</p> <ul style="list-style-type: none"> • the number of Shares which must be issued on conversion will be increased by the number of Shares which the Noteholder would have received if the Noteholder had Converted the Note before the record date for the bonus issue; and • no change will be made to the Conversion Price.
Voting rights	<p>The Notes do not confer any right to vote at meetings of members of the Company, except as required by law. The Noteholder will be permitted to attend (but not to vote) at any general meeting of its members.</p>

Quotation	The Notes will not be quoted
Transferability	The Notes are transferable, subject to the Noteholder first providing written notice of such transfer to the Company.
Governing law	New South Wales

5. Rights and liabilities attaching to the Shares issued on conversion of the Notes

The Shares issued to the Noteholder on the conversion of the Notes will rank equally in all respects with all of the Company's existing Shares.

The rights attaching to Shares, including new Shares to be issued to the Noteholders on the conversion of the Notes, are set out in the Company's constitution (**Constitution**), and, in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules and the general law.

A summary of the rights attaching to Shares in the Company is below. This summary is qualified by the full terms of the Constitution (a full copy of the Constitution is available from the Company on request free of charge) and does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of shareholders. These rights and liabilities can involve complex questions of law arising from an interaction of the Constitution with statutory and common law requirements. For a shareholder to obtain a definitive assessment of the rights and liabilities which attach to Shares in any specific circumstances, the shareholder should seek legal advice.

General meetings	Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company. Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution of the Company.
Voting rights	<p>Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:</p> <ul style="list-style-type: none">• each shareholder entitled to vote may vote in person or by proxy, attorney or representative;• on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and• on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held by them, or in respect of which they are appointed a proxy, attorney or representative, have one vote for each share held, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such shares registered in the shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).
Dividend rights	Subject to the rights of any preference shareholders and to the rights of the holders of any shares created or raised under any

	<p>special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.</p> <p>The Directors may from time to time pay to the shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied. Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors think fit.</p>
Winding-up	<p>If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he or she considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the shareholders or different classes of shareholders.</p>
Shareholder liability	<p>As the shares issued on conversion of the Notes will be fully paid ordinary shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.</p>
Transfer of Shares	<p>Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the ASX Listing Rules.</p>
Future increase in capital	<p>The issue of any new shares is under the control of the Board of the Company as appointed from time to time. Subject to restrictions on the issue or grant of securities contained in the ASX Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors may issue shares and other discretion, determine.</p>
Variation of rights	<p>Under section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of shareholders vary or abrogate the rights attaching to shares. If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.</p>

Alteration of Constitution	In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least three quarters of votes validly cast for Shares at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.
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6. Compliance with disclosure obligations

The Company is a “disclosing entity” under the Corporations Act and, as such, is subject to regular reporting and disclosure obligations under both the Corporations Act and the ASX Listing Rules. Broadly, these obligations require:

- the Company to notify ASX immediately of any information (subject to certain exceptions) of which it is or becomes aware which a reasonable person would expect to have a material effect on the price value of its securities. That information is available to the public from ASX; and
- the preparation of yearly and half-yearly financial statements and a report of the Company’s operations during the relevant account period, together with an audit or review report prepared by the Company’s auditor. These documents are lodged with ASIC and ASX.

Copies of documents lodged by the Company in connection with its reporting and disclosure obligations may be obtained from, or inspected at, an office of ASIC. Copies of all documents announced to the ASX can be found at <https://corporate.kaddy.com.au/investors>.

The Company will provide free of charge to any person who requests it during normal business hours:

- the Annual Report for the period ending 30 June 2022 lodged with ASX on 30 September 2022 (**Annual Report**);
- the Half Yearly Report for the period ending 31 December 2021 lodged with ASX on 28 February 2022; and
- the continuous disclosure notices given by the Company to notify ASX of information relating to the Company during the period from the date of lodgement of the Annual Report lodged with ASX on 30 September 2022, until the date of this cleansing notice:

Date	Announcement
23/12/2022	Cleansing Statement
23/12/2022	Application for quotation of securities - KDY
23/12/2022	Proposed issue of securities - KDY
23/12/2022	Additional Funds through Convertible Note Issue
23/12/2022	Kaddy Appoints New Chief Financial Officer
19/12/2022	Reinstatement to Official Quotation



19/12/2022	Proposed issue of securities - KDY
19/12/2022	Strategic Investor Provides Kaddy Access of upto \$7m Funding
16/12/2022	Constitution
15/12/2022	Letter to Option Holders
15/12/2022	Change of Company Name - Kaddy Limited
14/12/2022	Suspension from Quotation
12/12/2022	Notification of cessation of securities - DW8
12/12/2022	Ceasing to be a substantial holder
12/12/2022	Trading Halt
1/12/2022	Notice of Release of Escrowed Securities
30/11/2022	Change of Director's Interest Notice - MA
30/11/2022	Notification of cessation of securities - DW8
30/11/2022	Notification regarding unquoted securities - DW8
30/11/2022	Cleansing Statement
30/11/2022	Cleansing Statement
30/11/2022	Application for quotation of securities - DW8
30/11/2022	Application for quotation of securities - DW8
29/11/2022	Results of Meeting
23/11/2022	Notice of Release of Escrowed Securities
16/11/2022	Cleansing Statement
15/11/2022	Application for quotation of securities - DW8
7/11/2022	Cleansing Statement
7/11/2022	DW8 to Focus Solely on Core B2B Customers in Fulfilment
4/11/2022	Application for quotation of securities - DW8
31/10/2022	Consolidation/Split - DW8
31/10/2022	Letter to Shareholders
31/10/2022	Notice of Annual General Meeting/Proxy Form
28/10/2022	Notification of cessation of securities - DW8

28/10/2022	Notification regarding unquoted securities - DW8
28/10/2022	Cleansing Statement
28/10/2022	Application for quotation of securities - DW8
24/10/2022	Quarterly Activities/Appendix 4C Cash Flow Report
20/10/2022	Ceasing to be a substantial holder
18/10/2022	Australian Microcaps Investor Presentation
14/10/2022	Cleansing Statement
14/10/2022	Application for quotation of securities - DW8
13/10/2022	Final Director's Interest Notice
11/10/2022	Management Change
30/09/2022	Appendix 4G and Corporate Governance Statement
30/09/2022	Annual Report to shareholders
30/09/2022	Cleansing Statement
30/09/2022	Application for quotation of securities - DW8

7. Information excluded from continuous disclosure notices

As at the date of this Cleansing Notice, other than as set out in this Cleansing Notice and the cleansing notice attached to this Cleansing Notice, in respect of the Shares issued today, the Company advises that there is no information that:

- (a) the Company has excluded from a continuous disclosure notice in accordance with the ASX Listing Rules; and
- (b) is information that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of:
 - (i) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
 - (ii) the rights and liabilities of the Notes (and the underlying Shares) offered by the Company.

Authorised for release by Arron Canicaïs, Company Secretary.

For more information, please contact

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Glen Zurcher
Investors and Media
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Annexure – Pro forma consolidated statement of financial position

	30-June-22	Impact of Convertible Note Issue	30-Jun-22 Pro-forma
ASSETS			
Current Assets			
Cash and cash equivalents	3,354,414	1,438,500	4,792,914
Trade and other receivables	3,267,507		3,267,507
Inventories	131,266		131,266
Total Current Assets	6,753,187	1,438,500	8,191,687
Non-Current Assets			
Plant and equipment	3,602,008		3,602,008
Right of use asset	14,399,208		14,399,208
Intangible assets	29,289,694		29,289,694
Other assets	1,947,824		1,947,824
Total Non-Current Assets	49,238,734		49,238,734
TOTAL ASSETS	55,991,921	1,438,500	57,430,421
LIABILITIES			
Current Liabilities			
Trade and other payables	4,427,396		4,427,396
Provisions	823,762		823,762
Financial liabilities	483,220	1,473,500	1,956,720
Lease liabilities	2,951,486		2,951,486
Total Current Liabilities	8,685,864	1,473,500	10,159,364
Non-Current Liabilities			
Lease liabilities	15,450,474		15,450,474
Financial Liabilities	1,060,508		1,060,508
Contingent consideration	747,682		747,682
Total Non-Current Liabilities	17,258,664		17,258,664
TOTAL LIABILITIES	25,944,528	1,473,500	27,418,028
NET ASSETS	30,047,393	(35,000)	30,012,393
EQUITY			
Issued Capital	59,597,965		59,597,965
Reserves	5,475,100		5,475,100
Accumulated losses	(35,025,672)	(35,000)	(35,060,672)
TOTAL EQUITY	30,047,393	(35,000)	30,012,393