28 February 2019

Debt Funding Update

Cycliq secures $2 million debt facility from Partners for Growth

- Cycliq has entered into a secured $2 million tailored debt facility with Silicon Valley-based Partners for Growth, completing the final phase of the Company's recapitalisation.
- Increased working capital will be used to increase production for significant standing orders planned with retail partners, accelerate expansion into the lucrative US cycling market and achieve manufacturing scale efficiencies.
- Partners for Growth is a US based investment firm that focuses on fast-growing companies in technology and other sectors globally.

Further to its capital raising update of 16 November 2018, Cycliq Group Limited (ASX: CYQ – the "Company" or "Cycliq") is pleased to announce that it has executed the formal documentation in relation to a $2 million secured debt facility ("Debt Facility") with Partners for Growth ("PFG").

PFG is a Silicon Valley headquartered investment firm that provides growth capital and debt funding solutions to fast-growing technology companies in Australia and globally. PFG have a successful track record supporting small-cap, high-growth companies, making them an ideal financing partner for Cycliq.

Key details of the Debt Facility are set out at Annexure A and are consistent with the material terms set out in the Company's capital raising update on 16 November 2018 regarding the binding term sheet entered into with PFG.

In conjunction with executing the Debt Facility, the Company will terminate the existing $1.5 million shareholder loan facility (of which $1 million was provided by The Toad Group Pty Ltd, an entity associated with Company Chairman, Chris Singleton) by repaying the $510,000 drawn down to date from The Toad Group in full. To support the Company's cash flow requirements, interest accrued over the life of the shareholder loan, being approximately approximately $69,000, will be converted into 9,832,429 ordinary shares in the Company, subject to all necessary shareholder approvals, and on the same terms as recent equity raisings of the Company of $0.007 per share.

Cycliq Chairman Chris Singleton said that the Debt Facility was a milestone step for the Company.

"Securing the support of a group such as PFG is a validation of the steps we are taking to transition Cycliq from start up to a profitable, sustainable manufacturer focused on our users' experience," Mr Singleton said.

"PFG has a long track record of supporting small cap, high growth technology companies.

"We look forward to working with PFG as we execute our global growth strategy and mission to make cycling safer," Mr Singleton concluded.

"PFG is excited to be working with a fast growing sports technology company that is improving safety for cyclist globally" said Max Penel of Partners for Growth Australia.

Use of Funds

The funding provides additional working capital which will be applied by the Company to:

- Increased inventory production to support the delivery of significant standing orders planned with retail channel partners and achieve further manufacturing scale efficiencies;
- Continued expansion into global markets with a focus on the USA;
- Repay the principal amounts outstanding under the existing shareholder loan facilities; and
- Commercialisation of new and complementary product offerings of the Company.

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About Cycliq

Cycliq is a consumer technology company based in Perth, Australia, that produces electronic safety accessories designed for cyclists; the world-first dashcam for bikes, the rear-facing Fly6 and front-facing Fly12.

The Fly bike cameras integrate powerful safety lights and are engineered with multiple safety functions to give cyclists peace of mind so they can enjoy their ride. In the event of an incident, the HD cameras act as dashcams, recording everything that happens for later review; from accidents and near-misses, to spectacular scenery. The powerful safety lights provide improved visibility on the roads.

More than 60,000 of the Fly bike dashcams have been shipped around the world to over 50 countries since the company was founded in 2012. Cycliq has operations in North America, Australia and China, with direct to consumer sales from the company website and Amazon, and access to more than 6,000 retail points of presence through a network of regional distribution and retail partners in the USA, Asia-Pacific, EU and UK, as well as major online players including Wiggle (global) and Backountry.com (USA).

For more information about Cycliq, please visit www.cycliq.com

CYCLIQ

Annexure A – Material terms of Debt Facility

Facility and Facility Limited	Up to AUD$2 million revolving line of credit • Available at close • Subject to the Borrowing Formula below
Borrowing Formula	90% of inventory balance (at cost). $300,000 over-advanced permitted until 30 June 2019.
Use of funds	Working capital.
Maturity	36 months from the initial draw down date.
Repayment	Interest payable monthly. Principal due at Maturity.
Interest Rate	11.75% annual fixed rate
Commitment Fee	A commitment fee equal to the aggregate of the First Payment Amount (as defined below) and the Second Payment Amount (as defined below) (if applicable), payable in two tranches as follows: (a) 2.5% of $1,000,000 (being $25,000) payable on the effective Date (less the due diligence fee of $20,000 which was paid by the Borrower to PFG) ("**First Payment Amount**"); and (b) 2.5% of $1,000,000 (being $25,000) payable within 3 Business Days of the date on which PFG advances or has advanced, collectively with all other Drawings, an amount in excess of $1,000,000, in accordance with the Facility Documents ("**Second Payment Amount**").
Cancellation Fee	The Borrower may only cancel all (and not part) of the Facility Limit in respect of the Facility and the Drawings drawn under the Facility by paying PFG a cancellation fee equal to 3.00% of the Upper Facility Limit (being $60,000).
Financial Covenants	Revenue and EBIDTA covenants with monthly reporting based on internal budgets. Balance sheet covenant – Specifically a Quick ratio of at least 1:1 at all times during the life of the loan, calculated as: Cash + Trade and Other Receivables + 50% x Stock On Hand; divided by Current Liabilities less existing shareholder loan facility debt.
Security	Fully-perfected senior lien or charge on all assets of the Company and group companies ("Collateral") pursuant to a first ranking general security deed and a deed of guarantee and indemnity given by Cycliq in favour of PFG. All other debt including insider debt must be subordinated to PFG by agreement or as PFG may otherwise determine.

Right to Invest	PFG will be granted an option to purchase up to $250k of equity in the Company's next equity financing upon the same terms as other investors.

In addition, the Debt Facility provides for the issue of warrants to PFG in accordance with the following key terms:

Type of Security and Consideration:	PFG shall acquire an option to purchase $475,000 of Cycliq's Shares at the close of the transaction (the "Warrant Shares") at an exercise price of $0.007 per Share (Exercise Price) (the "Warrant").
Term of Warrant:	7 years from Closing.
Put Option:	PFG would have the option to require the Company to repurchase the warrant in lieu of exercising for $400,000 upon a sale, change of control or upon expiration.
Treatment of Warrant Upon Acquisition:	Upon an "Acquisition" (including any sale or other disposition of all or substantially all of the assets of the Company in whatever form, however effected, or any reorganization, consolidation, or merger of the Company (whether in a single transaction or multiple related transactions), the surviving entity shall, as condition to the Acquisition and at their option, either: (i) assume the obligations of the Warrant or (ii) purchase the Warrant at its fair value, which shall be determined using a Black-Scholes Option-Pricing Model.
Exchange of Warrant for Common Stock (Net Exercise):	If the fair market value of the Warrant Shares exceeds the Exercise Price, the Holder may exchange its Warrant for that number of the Company's Warrant Shares obtained by dividing (x) the intrinsic value of the Warrant (i.e., the Fair Market Value of the Warrant Shares on the date of the exchange less the Exercise Price), by (y) the Fair Market Value (defined as the highest fair market value per share in the 90 days prior to the exchange of the Warrant).
Automatic Exercise of the Warrant:	The Warrant shall be automatically net exercised for Warrant Shares immediately before it expires.