

6 December 2023

Cleansing Notice under section 708A(12C)(e) of the Corporations Act 2001 (Cth)

This notice (**Cleansing Notice**) is given by Carly Holdings Limited (ASX: CL8) (the **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*).

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

1. Background

The Company has issued 2,850,000 convertible notes (the **Convertible Notes**) to professional, sophisticated or other exempt investors who are not related parties of the Company, namely, iPartners Nominees Pty Ltd ACN 619 036 663 as trustee for iPartners Carly Hybrid Notes Sub-trust (the **Investors**). The Convertible Notes have been issued with a face value of \$1.00 per Convertible Note and an issue price of \$1.00, in respect of which the Company has received \$2,850,000 before costs of the issue.

The issue of the Convertible Notes (**Convertible Notes Issue**) was completed on 6 December 2023.

The Convertible Notes have been issued without disclosure under Part 6D.2 of the Corporations Act. This Cleansing Notice is to enable fully paid ordinary shares of the Company (**Shares**) issued on conversion of Convertible Notes to be on sold without disclosure to retail investors.

2. Contents of this Cleansing Notice

This Cleansing Notice sets out the following:

- (a) the effect of the issue of the Convertible Notes on the Company;
- (b) a summary of the rights and liabilities attaching to the Convertible Notes;
- (c) a summary of the rights and liabilities attaching to the Shares that will be issued on the conversion of the Convertible Notes should such occur; 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. Effect of the Convertible Notes Issue on the Company

The Company's ASX announcement dated 31 October 2023 sets out information in respect of the Convertible Notes Issue. In addition, the Company's Notice of Annual General Meeting dated 1 November 2023 set out the terms of the Convertible Notes.

The Convertible Notes Issue will have the following effects on the Company:

- a) All Convertible Notes issued have been issued at \$1.00 per note with a face value of \$1.00 per note;
- b) The Company received \$2,850,000 for the issue of the Convertible Notes, before costs of the issue;
- c) Increase the number of Convertible Notes on issue from nil to 2,850,000;
- d) Give rise to the Company having an unsecured liability for the aggregate amount of the face value of the Convertible Notes (\$2,850,000); and
- e) Investors may convert all or part of the Convertible Notes into Shares as provided for in section 6 below. If the Convertible Notes are converted in whole or in part, this will dilute the existing shareholdings in the Company. The potential effect of conversion on the Company's capital structure is shown in section 4 below.

4. Effect of the Convertible Notes Issue on capital structure

The capital structure of the Company as at the date of this Cleansing Notice is set out in the table below:

Type of Security	Number
Shares	268,370,319
Listed Options	87,107,979
Unlisted Options	10,642,613
Convertible Notes*	2,850,000

* These are the Convertible Notes which are the subject of this Cleansing Notice.

The Convertible Notes may be converted into Shares as set out in section 6 below. If all the Convertible Notes are converted a total of between 47,500,000 and 79,166,667 Shares would be issued to the holders of the Convertible Notes.

The table below shows the potential effect of the conversion of the Convertible Notes into Shares at the conversion price. The table is based on the following assumptions:

Share Price (\$)	Conversion Price (\$)	Shares on Issue as at the date of this Notice ¹	Shares issued on conversion of Convertible Notes ²	Total Shares on issue following conversion of Convertible Notes ¹	Dilutionary effect
0.04	0.0360	268,370,391	79,166,667	347,537,058	22.78%
0.05	0.0375	268,370,391	76,000,000	344,370,391	22.07%
0.06	0.0450	268,370,391	63,333,333	331,703,724	19.09%
0.07	0.0525	268,370,391	54,285,714	322,656,105	16.82%
0.08	0.0600	268,370,391	47,500,000	315,870,391	15.04%

Notes:

¹ The above calculations do not take into account an increase in the number of shares on issue in the Company, nor the exercise of the quoted options with an exercise price of \$0.06 and expiring on 31 October 2024.

² The above calculations do not contemplate conversion of any accrued interest or capitalised fees as may be payable to the Noteholders.

Assuming that no additional Shares are issued prior to conversion of the Convertible Notes, the number of Shares on issue would increase to between 315,870,391 and 347,537,058 shares. The effect of the issue and conversion of the Convertible Notes is shown below:

Maximum Effect of Issue of Notes

	Shares	% of Shares	Listed Options	Unlisted Options	Convertible Notes
Existing Securities	268,370,319	100.00%	87,107,979	10,642,613	-
Issue of Notes	-	0.00%	-	-	2,850,000
	268,370,319	100.00%	87,107,979	10,642,613	

Effect of Conversion of Notes at Conversion Price Floor

	Shares	% of Shares	Listed Options	Unlisted Options	Convertible Notes
Existing Securities	268,370,319	77.22%	87,107,979	10,642,613	-
Conversion of Notes	79,166,667	22.78%	-	-	(2,850,000)
	347,536,986	100.00%	87,107,979	10,642,613	

Effect of Conversion of Notes at Conversion Price Cap

	Shares	% of Shares	Listed Options	Unlisted Options	Convertible Notes
Existing Securities	268,370,319	84.96%	87,107,979	10,642,613	-
Conversion of Notes	47,500,000	15.04%	-	-	(2,850,000)
	315,870,319	100.00%	87,107,979	10,642,613	

Notes:

- (a) Assumes that no additional Shares or Options are issued prior to conversion of the Convertible Notes.
- (b) Assumes that no Options have been exercised prior to conversion of the Convertible Notes.
- (c) Assumes no convertible notes have been issued other than the Convertible Notes.

5. Pro-forma Statement of Financial Position

The pro-forma Statement of Financial Position shown in the table below has been prepared on the following basis:

- a) The 30 June 2023 audited Consolidated Balance Sheet has been used as a base position to illustrate the impact of the Convertible Notes Issue.
- b) The pro-forma financial information is presented in an abbreviated form insofar as it does not include all of the disclosures required by Australian accounting standards. It has been prepared in accordance with the Company's normal accounting policies.
- c) The issue of 2,850,000 Convertible Notes raising a total of \$2,850,000, (before costs of the issue), with each note issued at an issue price of \$1.00 and with a face value of \$1.00.
- d) Cash and cash equivalents, trade and trade receivables, and other assets and liabilities have not been adjusted for expenditure and other activities since 30 June 2023, with the exception of the share placement completed on 24 August 2023.

	30 June 2023 (audited)	August 2023 Placement	Convertible Note	Pro-forma Statement (unaudited)
	\$	\$	\$	\$
CURRENT ASSETS				
Cash and cash equivalents	1,662,787	350,000	2,850,000	4,862,787
Trade and other receivables	157,267	-	-	157,267
Other current assets	261,959	-	-	261,959
Total Current Assets	2,082,013	350,000	2,850,000	5,282,013
NON-CURRENT ASSETS				
Property, plant & equipment	2,965,683	-	-	2,965,683
Right of use asset	917,804	-	-	917,804
Intangible assets	7,967	-	-	7,967
Other non-current assets	201,819	-	-	201,819
Total Non-Current Assets	4,093,273	-	-	4,093,273
TOTAL ASSETS	6,175,286	350,000	2,850,000	9,375,286
CURRENT LIABILITIES				
Trade and other payables	1,037,882	-	-	1,037,882
Loans payable	373,098	-	-	373,098
Lease liability	346,770	-	-	346,770
Other liabilities	146,249	-	-	146,249
Total Current Liabilities	1,903,999	-	-	1,903,999
NON-CURRENT LIABILITIES				
Convertible Notes ^a	-	-	2,729,520	2,729,520
Derivative liability ^b	-	-	120,480	120,480
Loans payable	3,104,841	-	-	3,104,841
Lease liability	640,557	-	-	640,557
Other non-current liabilities	9,170	-	-	9,170
Total Non-Current Liabilities	3,754,568	-	2,850,000	6,604,568
TOTAL LIABILITIES	5,658,567	-	2,850,000	8,508,567
NET ASSETS/(LIABILITIES)	516,719	350,000	-	866,719
EQUITY				
Issued capital	26,570,302	350,000	-	26,920,302
Reserves	946,141	-	-	946,141
Accumulated losses	(26,999,724)	-	-	(26,999,724)
TOTAL EQUITY	516,719	350,000	-	866,719

Notes:

- a) Independent value assessment of the financial liability component of the Convertible Notes
- b) Independent value assessment of the embedded derivative value component of the Convertible Notes.
Treated as a non-current liability as the conversion assumption is at maturity (30 May 2025)

6. Rights and liabilities attaching to the Convertible Notes

A summary of the material terms of the Convertible Notes is set out below:

Instrument	Unsecured Convertible Note (the 'Notes')
Issue Size	\$2,850,000 of Notes
Interest Rate	12.00% per annum, accrued daily and paid quarterly in arrears in cash.
Term	A period of 18 months from the issue date of the Notes.
Ranking	Unsecured obligations of the Issuer.
Face Value	\$1.00 per Note
Conversion Right	<p>A Conversion Right may be exercised by a Noteholder, at any time during the Term, by issuing the Company with a Conversion Notice.</p> <p>Material Event is defined as lodgement of a notice of extraordinary general meeting with the ASX in relation to a scheme of arrangement, an issue of equity securities under Listing Rule 7.1 or the acquisition of a relevant interest in the Company under section 611(7) of the Corporations Act or receipt of a bidders statement under Chapter 6 of the Corporations Act regarding a takeover offer for all of the ordinary shares in the Company.</p> <p>The coupon payment would be calculated on a pro-rata basis as at the date of conversion.</p>
Conversion Price and Share Price	<p>The <i>Conversion Price</i> is the price equal to 75% of the Share Price with a Conversion Price Floor of \$0.036 and a Conversion Price Cap of \$0.06. Accordingly, the Conversion Price is:</p> <p>(a) if the Share Price is equal to or less than \$0.048, \$0.036;</p> <p>(b) if the Share Price is more than \$0.048 and less than \$0.08, a 25% discount to the Share Price; or</p> <p>(c) if the Share Price is equal to or more than \$0.08, \$0.06.</p> <p>The <i>Share Price</i> means the volume weighted average price of the Shares for the last 60 days excluding:</p> <p>(a) any day that is not a Trading Day (as that term is defined in the ASX Operating Rules); and</p> <p>(b) any day that there was nil trading volume recorded in respect of the Shares quoted on the ASX.</p>
Exchange Ratio	<p>The <i>Exchange Ratio</i> means the number of Shares into which a Convertible Note will be Converted, being:</p> $\frac{\text{Outstanding Amount}}{\text{Conversion Price}}$
Redemption by Issuer	The Notes are redeemable upon the election of the Issuer only in the event of a Change of Control, where the following occurs:

	<p>(a) The Company must give the Noteholder written notice as soon as practicable after becoming aware that a Change of Control Event has occurred, or will occur (“Change of Control Notice”); and</p> <p>(b) Within 5 Business Days of receiving a Change of Control Notice, the Noteholder may elect, in its absolute discretion, to give the Company a Conversion Notice, in respect of all (but not part) of its Convertible Notes.</p> <p>(c) If the Noteholder does not give a Conversion Notice in accordance with paragraph (b) above, the Company may, within 20 Business Days of the date of the Change of Control Notice, notify the Noteholder that it elects to redeem the Convertible Notes, and if it does so, will be deemed to have received a Redemption Notice.</p>
Redemption at Maturity	If the Noteholder has not converted at maturity, the Issuer must redeem the Notes at face value. If the Company does not have sufficient funds to pay the Noteholder the redemption amount, the Company must undertake an equity capital raise to fund this amount.
Underwriting	The issue of Notes is not underwritten.
Conversion Price Adjustment	Standard anti-dilutive adjustments.
Approval process	Shareholder approval to issue the Notes pursuant to ASX Listing Rule 7.1 was received on 30 November 2023.
ASX Quotation	Notes are to be unquoted instruments.
Governing Law	New South Wales, Australia

The terms of the Convertible Notes include provisions of the kind commonly found in agreements of this type, including undertakings, covenants, representations, warranties and indemnities by the Company. The above is by its nature a summary and as between the Company and each Investor alter or affect the application or interpretation of the terms of the Convertible Notes.

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

Shares issued on conversion of the Convertible Notes will be fully paid ordinary shares ranking equally in all respects with other Shares on issue. Application will be made for quotation on ASX. The following is a summary of key rights attaching to the Shares.

Variation of rights	The rights of Shares may only be varied by a special resolution passed at a general meeting of shareholders.
General meetings and notice	Each shareholder has the right to receive notice of and to attend and vote at general meetings of the Company.
Dividends	Dividends may be paid to shareholders as declared by the Board at its discretion.

Rights on winding up	If the Company is wound up, the Shares attract the right to participate equally in the distribution of the assets of the Company (both capital and surplus), subject to unpaid amounts on the Share.
Transfer	Shareholders may transfer Shares subject to the requirements of the Corporations Act, the ASX Listing Rules or the ASX Settlement Operating Rules. The Board may do anything it considers necessary or desirable and which is permitted by the Corporation Act, the ASX Listing Rules or the ASX Settlement Operating Rules to facilitate the participation by the Company in any computerised or electronic system established or recognised by the Corporations Act, the ASX Listing Rules or the ASX Settlement Operating Rules for the purposes of facilitating dealings in Shares. The Board may refuse to register any transfer of Shares if permitted or required to do so by the ASX Listing Rules.
ASX Listing Rules	To the extent of any inconsistency, the ASX Listing Rules prevail over the Company's constitution.

8. Compliance with continuous disclosure

The Company is a disclosing entity under the Corporations Act and is subject to regular reporting and disclosure obligations. These obligations require the Company to notify ASX of information about specified events and matters as they arise for the purpose of making that information available to the market.

As at the date of this Cleansing Notice, the Company has complied with:

- (a) the provisions of Chapter 2M of the Corporations Act, as they apply to the Company; and
- (b) sections 674 and 674A of the Corporations Act, as they applies to the Company.

Copies of any documents in relation to the Company which are lodged with ASIC may be obtained from, or inspected at, an ASIC office. The Company will provide a copy of the following to any person on request free of charge:

- (a) the annual financial report most recently lodged with ASX by the Company;
- (b) any half-year report lodged with ASIC after lodgement of that annual financial report and before lodgement of this Cleansing Notice; and
- (c) any continuous disclosure notices given after the lodgement of that annual financial report and before lodgement of this Cleansing Notice.

A list of the continuous disclosure notices given by the Company to ASX after lodgement of the financial report referred to in paragraph (a) above and before the lodgement of this Cleansing Notice with ASX is set out in the table below. All of these documents will be provided, free of charge, to any person on request.

Date	Announcement title
1 September 2023	Change of Address
12 September 2023	Issue of Employee Options
12 September 2023	Notification regarding unquoted securities - CL8
20 September 2023	100% Subscription Revenue Growth
21 September 2023	Issue of Employee Options
21 September 2023	Notification regarding unquoted securities - CL8
22 September 2023	Notification of cessation of securities - CL8
6 October 2023	Change of Company Secretary
23 October 2023	September 2023 Quarterly Activities Report and Appendix 4C
31 October 2023	Investor Presentation - Coffee Microcaps Conference
31 October 2023	Material Investment Secured to Support Growth
31 October 2023	Proposed issue of securities - CL8
1 November 2023	Resignation of Director
1 November 2023	Notice of Annual General Meeting/Proxy Form
7 November 2023	Final Directors' Interest Notices
30 November 2023	AGM Chairman's Address
30 November 2023	Results of Meeting

9. No excluded information

As at the date of this notice, other than as set out in this Cleansing Notice, there is no information that:

- (a) has been 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 body; and
 - (ii) the rights and liabilities attaching to the Convertible Notes or Shares.

This announcement was authorised to be given to ASX by the Board of Directors of Carly Holdings Limited.

Authorised by:

Chris Noone
 CEO and Director
 Carly Holdings Limited

Media Enquiries

The Capital Network
Julia Maguire
+61 2 8999 3699
julia@thecapitalnetwork.com.au

Investor Relations

w: <https://investors.carly.co>
e: shareholder@carly.co

About Carly

Carly Holdings Limited (ASX:CL8) is an Australian company leading the growth of the car subscription industry in Australia & New Zealand and supporting the transition to electric vehicles. Launched in 2019, [Carly Car Subscription](#) is a flexible alternative to buying or financing a vehicle, for individuals and businesses, with insurance, registration and servicing included in one monthly payment. Average subscription period is over 5 months. Carly has secured auto industry leaders SG Fleet (ASX:SGF) and Turners Automotive (ASX:TRA) as significant shareholders, joining long-term shareholder, RACV and OEM partner, Hyundai. For more information visit: <https://investors.carly.co>