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Media & ASX Market Announcement
Australian Securities Exchange

Acquisition of AIRhub, Capital Raising and Executive leadership changes

Highlights:

- **CYQ strengthens its cycling technology portfolio through binding agreement to acquire the AIRhub business and patents.**
- **Michael Freiberg, founder of AIRhub joins CYQ executive team as Chief Product Officer and Paul Claessen and Ben Hammond will be stepping down from their positions as Co-Chief Executive Officers of the Company.**
- **CYQ confirms oversubscribed private placement to raise \$418,000 before costs to sophisticated investors having appointed Merchant Capital Partners as lead manager.**

Acquisition

Cycliq Group Ltd ("**Cycliq**" or "**the Company**") is pleased to announce that it has executed a binding Terms Sheet with Terrain Dynamics Pty Ltd and Mr Michael Freiberg (**Vendors**) for the acquisition of the AIRhub business and patents (**Acquisition**).

AIRhub is the world leader in on-road resistance training for cycling and triathlon, used by professional athletes such as the Lotto Suidal Professional Cycling Team, Australian Time Trial Champion Luke Durbridge, Paris Roubaix Champion Matthew Hayman, and Sam Bennett – winner of 8 Grand Tour Stages.

The inventor and designer of the AIRhub, Mr Michael Freiberg, will join the Company as Chief Product Officer, taking on responsibility for all Cycliq's suite of products in addition to the ongoing commercialisation of AIRhub. Michael's technical and manufacturing expertise together with his background as an elite level cyclist will add significant depth to the Cycliq team.

The material terms of the Terms sheet are detailed in Appendix 1 of this announcement.

Capital Raising

To facilitate the Acquisition, and to satisfy one of the key conditions precedent, the Company has executed a mandate with Merchant Capital Partners Pty Ltd (**Merchant Capital**) to issue approximately 209,000,000 ordinary shares (**Placement Shares**) at an issue price of \$0.002 to raise \$418,000 (**Placement**) before costs. The key terms of the mandate are detailed in Appendix 2 of this announcement.

Funds raised under the Placement will be used towards inventory purchases, working capital and, subject to the other conditions precedent required to complete the Acquisition, the cash costs associated with the Acquisition.

The Company has agreed to issue 209,000,000 shares as described above pursuant to the Company's 15% placement capacity under Listing Rule 7.1.

Executive update

The Company wishes to announce that Mr Paul Claessen and Mr Ben Hammond will be stepping down from their positions as Co-Chief Executive Officers of the Company, effective 15 February 2021.

Following the successful turnaround of the business and the recent launch of the Fly6 Generation 3 the board and the executives have worked closely to develop a compelling strategy for future growth.

Cycliq Chairman Craig Smith-Gander commented "After the successful turnaround and record-breaking sales this year, the board has commenced the search for a CEO to drive the Company's next growth phase.

"The board would like to sincerely thank Paul and Ben for their significant efforts over the past three years; leading the turnaround, navigating the impact of the global pandemic and delivering a record breaking H1 result with the new product launch.

Subject to satisfying the necessary conditions precedent, the acquisition of AIRhub and the recruitment of its founder Michael Freiberg will add considerable depth to Cycliq's product offering to recreational and performance cyclists. We are truly excited to be able to bring the AIRhub to market, leveraging the Company's existing manufacturing, distribution, marketing and sales channels."

Mr Claessen and Mr Hammond said that it was a privilege to work in an innovative business that was making a difference to the global cycling community and will be available through a consulting arrangement following the 15th of February to assist the Company with any transition matters.

Both Mr Claessen and Mr Hammond remain significant and supportive shareholders of the Company.

ENDS

This announcement has been authorised by the Board of directors of the Company.

Contact: **Craig Smith-Gander**
Chairman
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About Cycliq

Cycliq is a smart safety company based in Perth, Australia, manufacturing and marketing the world-first cycling light and camera safety system the Fly6 and Fly12.

More than 100,000 of the Fly bike cameras have been shipped around the world to over 50 countries since the company was founded in 2012. Cycliq has operations in 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 Backcountry.com (USA).

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

For more information about AIRhub please visit www.airhub.com.au

Appendix 1: Material Terms of the Acquisition

The \$500,000 total consideration for the Acquisition will be satisfied by a \$250,000 cash payment to the Vendors and the issue of 125,000,000 fully paid ordinary shares in CYQ (**Shares**) to the Vendors (or their nominees) at a deemed issue price of \$0.002 each (**Consideration Shares**). The deemed issue price for the Consideration Shares is equal to the issue price of the Placement Shares (see below for more information).

The Acquisition is subject to conditions precedent, including:

- each of Cycliq and the Vendors being satisfied with their respective financial, legal and technical due diligence, anticipated to be completed by 31 December 2020;
- the Parties entering into a formal agreement on terms materially consistent with the binding Terms Sheet, which will include industry standard warranties provided by each Party, including covenants provided by the Vendors in relation to the conduct of the AIRhub business (**Formal Agreement**);
- completion of the Placement noted in this announcement;
- any necessary 3rd party consents and approvals required to give effect to the transfer of assets (including patents);
- the receipt of shareholder approval for the issue of the Consideration Shares and Performance Rights (as defined below); and
- ASX confirmation that:
 - the Performance Rights (see below) are appropriate and equitable pursuant to Listing Rule 6.1; and
 - Listing Rules 11.1.2 and 11.1.3 will not apply to the Acquisition and that ASX otherwise has no objections to the Acquisition.

In addition, a further key condition to the Acquisition is that Michael Freiberg enters into an employment agreement with the Company in the position of Chief Product Officer (**Employment Agreement**). The key terms of the Employment Agreement will be as follows:

- base Salary of \$130,000 inclusive of superannuation;
- three-month notice period for termination without cause by either party;
- short term incentives at the Company's discretion; and
- the issue of 230,392,375 performance rights pursuant to the Company's Employee Securities Incentive Plan, with the following key terms (**Performance Rights**):

Class	Performance Rights
Number	230,392,375
Vesting Condition	The Performance Rights shall vest as follows: ▪ the first 20% vesting upon the Revenue of the Company for any financial year after the year ended 30 June 2021 (FY21) being \$1,000,000 or more greater than the Revenue of the Company for FY21; ▪ the next 20% vesting upon the Revenue of the Company for any financial year after FY21 being \$2,000,000 or more greater than the Revenue of the Company for FY21; ▪ the next 20% vesting upon the Revenue of the Company for any financial year being \$3,000,000 or more greater than the Revenue of the Company for FY21; ▪ the next 20% vesting upon the Revenue of the Company for any financial year being \$4,000,000 or more greater than the Revenue of the Company for FY21; and

	- the final 20% vesting upon the Revenue of the Company for any financial year being \$5,000,000 or more greater than the Revenue of the Company for FY21, For the purpose of the vesting conditions above, "Revenue" means the audited revenue of the Company based on the consolidated annual financial report of the Company for a relevant financial year, but excluding: - one-off or extraordinary revenue items; - revenue received in the form of any grant, allowance, rebate or other hand-outs from any Government Agency; and - revenue that ASX may determine has been "manufactured" in accordance with <i>ASX Guidance Note 19: Performance Securities</i>.
Expiry Date	5 years from date of issue

The 125,000,000 Consideration Shares issued to Mr Michael Freiberg will be subject to voluntary escrow as follows:

- (i) if the Vendors provide written evidence to Cycliq (satisfactory to Cycliq, acting reasonably) that a party that the Vendors have nominated to receive some or all of the Consideration Shares will receive such Consideration Shares towards repayment of a debt due and payable by the Vendors to a related party of the Vendors: 6 months from the date of issue (or such later date as may be required by ASX); or
- (ii) in any other case: 12 months from the date of issue.

Appendix 2: Key Terms of the Merchant Capital Mandate

- A 6% management and placement fee for all funds received under the Placement Offer (payable in cash); and
- the issue of 20,000,000 unquoted options with a 2 year expiry date and an exercise price of \$0.004 to Merchant Capital (or its nominees).