

Mighty Craft signs new binding term sheet with Sparkke which will unlock the next phase of growth

15 February 2021

ASX Announcement

Highlights:

Mighty Craft Limited (MCL) is pleased to announce that it has agreed a new binding term sheet (subject to certain conditions outlined below) with Sparkke Group Holdings Pty Ltd ACN 635 097 504 (Sparkke).

- In 2019 MCL entered two convertible notes with a face value of \$2M each (Note A and Note B) pursuant to which, on conversion would result in a 42% equity stake in Sparkke (the notes assumed a conversion price of \$0.05)
- The new term sheet renegotiates the terms of the original notes with the key differences being;
 - \$1.5M of Note A will convert into equity resulting in a 32% shareholding in Sparkke
 - The remaining \$0.5M of Note A is convertible at \$0.03 on or before September 2021 and Note B remains convertible at MCL's option on or before September 2021 at a price of \$0.02
 - On face value – the two notes will convert to an equity stake of 61% before considering further funding requirements
 - Sparkke will conduct a further capital raise later in the year to fund key initiatives including the development of the Vine Hotel in Collingwood
- Sparkke is an edgy social enterprise founded and led by an all-women leadership team that produces all-natural craft beers, ciders and non-beer brews and distributes them nationally
- Sparkke also operates the award-winning pub in Adelaide "Sparkke at the Whitmore" and has plans to open a new venue in Collingwood, Melbourne (previously the Vine Hotel)
- Sparkke also recently launched a new spirit brand "Full Circle" which re-distils aged keg stock caused by COVID into various spirits including Gin and Amaro
- The new agreement sets the business up for the next phase of growth led by the Whitmore returning to pre COVID levels and wholesale growth through its brewed product range and the new "Full Circle" range

Commenting on the agreement, Mighty Craft Managing Director, Mark Haysman said:

"Sparkke is a unique business that has a range of incredible drinks and operates an award-winning pub out of Adelaide. We are proud to be strengthening our partnership. We think the brand has enormous potential both in Australia and overseas given its unique positioning,

passion for championing women in business and high-quality drinks. The recent launch of the “Full Circle” spirits brand is an insight into the talent and creativity of the team at Sparkke. These products were all made using aged stock ensuring zero keg waste through COVID while creating a new sustainability-based spirits brand and Income stream. We are excited about the future of the business and the potential of Full Circle”.



Further Details:

Mighty Craft Limited (MCL) is pleased to announce that it has agreed a new binding term sheet with Sparkke Group Holdings Pty Ltd CAN 635 097 504 (Sparkke).

As previously reported, MCL, through its wholly owned subsidiary, Founders First Sparkke Pty Ltd ACN 635 023 862 (FF Sparkke) entered into two convertible note subscription deeds (called Note A and Note B) on 4 November 2019 with Sparkke pursuant to which FF Sparkke has agreed to subscribe for 80,000,000 convertible notes in Sparkke which could, subject to certain conditions, be converted into a 42% interest in Sparkke (on a fully diluted basis). The notes were convertible on or before September 2021 at FF Sparkke’s option at \$0.05.

MCL is pleased to announce that, as part of the new binding Term Sheet agreed with Sparkke that:

1. FF Sparkke will agree to convert \$1.5m of Note A, but at a new conversion price of \$0.03 (giving FF Sparkke a 32% shareholding in Sparkke);
2. The remaining \$500,000 of Note A is convertible at \$0.03 on or before September 2021, but subject to Sparkke conducting a Rights Issue (see below);
3. Note B remains convertible at FF Sparkke’s option on or before September 2021, but at a new conversion price of \$0.02;
4. Sparkke will also conduct a Rights Issue in the coming weeks, to raise up to \$1.5m, of which Mighty Craft will underwrite \$500,000 (subject to at least another \$300,000 being invested by other existing or new shareholders). The target price is \$0.02, but it subject to Sparkke Board resolution.
5. Mighty Craft will also be given the right to appoint a 5th Director to the Sparkke Board, but subject to approval by special resolution of the Sparkke shareholders; and

6. Sparkke will look to raise further funds later in the year to help fund the development of the Vine Hotel in Collingwood.

The Term Sheet is conditional upon certain approvals being obtained, including a special resolution of shareholders of Sparkke to MCL's right to appoint a 5th Director to the Sparkke Board. Full transaction documents must also be prepared and entered into.

About Sparkke - Made by women for everyone...

Launched in late 2016 with one of Australia's most successful crowd-funding pre-sale alcohol campaigns, Sparkke is a female led edgy social enterprise. They produce all-natural craft beers, non-beer brews and cider, and distribute nationally. Their award-winning core range of 100% natural brews are vegan and/or gluten free and aim for lower alcohol by volume by category. Sparkke is underpinned by the values of inclusion, social equity, individuality, raw truth, passion for excellence and care for others.

Through messaging on cans and marketing led funding initiatives, they raise awareness and support for important social issues. Sparkke focuses on millennials and their allies; a community who see themselves as individuals, not a demographic, a label or an economic segment. They believe discrimination needs to stop and that everyone deserves a voice. Sparkke's community use their purchasing dollars for good and make conscious choices about where they focus their time and resources to effect change.

In early 2019 the first brewpub opened on Whitmore Square in Adelaide; plans to take the Sparkke brand to Melbourne at the Vine in Collingwood are well underway.

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Mark Haysman
Managing Director
investors@mightycraft.com.au

Simon Hinsley
Investor Relations
simon@nwrcommunications.com.au
+61 401 809 653

This announcement has been authorised and released by Managing Director, Mark Haysman

About Mighty Craft

Founded in 2017, Mighty Craft (ASX:MCL) is aiming to build the world's strongest craft beverage collective through supporting and growing independent craft brewery and distillery businesses. MCL has invested in select craft beverages and is accelerating the brands growth through equity and debt funding whilst providing access to MCL's leading team of liquor industry professionals providing functional excellence to craft operators. Mighty Craft focus is on allowing founders to play to their strengths while the MC team of industry experts supports by covering their gaps constraining growth and profitability.

mightycraft.com.au/