



17 September 2020

Ivan Tatkovich
Adviser, Listings Compliance (Sydney)
20 Bridge Street, Sydney NSW 2000
ivan.tatkovich@asx.com.au

Dear Ivan

Response to ASX aware query

I refer to your letter dated 10 September 2020 (**ASX Aware letter**) to Reffind Limited (**RFN or the Company**). Unless specifically defined otherwise, capitalised terms used in this letter have the same meaning as given in the ASX Aware Letter.

The Company responds to each of your queries as follows:

1. **In the directors' opinion, do the financial statements in the Preliminary Final Report:**
 - a) **comply with the relevant accounting standards?**

Yes
 - b) **give a true and fair view of RFN's financial performance and position?**

Yes
2. **Please explain how the directors satisfied themselves that:**
 - a) **the closing fair value of \$3,444,931 for RFN's investment in Loyyal is appropriate and adheres to the current Australian Accounting Standards; and**
 - b) **there has been no decline in the value of RFN's investment despite Loyyal entering into Chapter 7 bankruptcy on 28 July 2020.**

In answering a) and b) above, reference should be made to the underlying assumptions used by the directors in coming to their conclusions, the Chapter 7 bankruptcy, and any independent advice or reports obtained by RFN.

RFN's investment in Loyyal is currently brought to account at cost. The directors have received advice from their auditors that until the result of the Chapter 7 bankruptcy process is known, it is management's decision whether to change that accounting treatment, at which time the value will either be what RFN receives as a creditor (if the RFN bid is unsuccessful) or the fair market value of the Loyyal assets as determined by an independent valuer (if the RFN bid is successful). In the interim, it is the view of the directors that the preliminary financial statements correctly hold the Loyyal investment at cost because they believe, based on verbal feedback from the bankruptcy trustee that the RFN bid is presently the best bid received, that there are reasonable prospects the RFN bid for the assets of Loyyal shall be successful in winning the bid for Loyyal's assets currently subject to Chapter 7 bankruptcy protection in the US. In the event of a successful bid, the directors consider the closing fair value of \$3,444,931 for Loyyal's assets to be a conservative view given that RFN's percentage ownership of Loyyal will materially increase from a portfolio investment to a majority stake if their bid is successful, but agree with their auditor's advice that this will ultimately be determined by an independent valuer.

The basis for this view is that Loyyal prior to COVID-19 last raised capital at a USD\$29,000,000 valuation and that the value of Loyyal is primarily in its intellectual property/patents, the value of which are not adversely affected by the cessation of business operations imposed by the Chapter 7 bankruptcy process .



Further, Reffind has obtained confirmation from Barclay Pearce (corporate advisors based in Sydney) that in the event of the Consortium's successful bid for Loyyal's assets, Barclay Pearce will raise capital of at least USD\$1,000,000 at a pre-money valuation of USD\$20,000,000 for the Consortium to recommence Loyyal's operations. This is at a substantial discount to the valuation that Loyyal last raised capital at (pre-COVID) in January 2020 which was USD\$29,000,000.

Until such time as the bidding process is completed (either in a positive or negative fashion), Reffind's management consider that cost is appropriate manner in which to continue to bring their investment in Loyyal to account.

3. **Please provide a copy of any independent legal or accounting advice which RFN has obtained from advisers with relevant experience in Chapter 7 bankruptcy in relation to its investment in Loyyal and the closing fair value of \$3,444,931 included in the Preliminary Final Report (not for release to the market).²**

If no independent legal or accounting advice has been obtained, please explain why not.

RFN notes that it has already provided ASX with correspondence from its auditor about the accounting treatment of RFN's investment in Loyyal and provides that same correspondence (as per the **attached**) for ease of reference. The board of RFN consider that their auditor is a more relevant person to provide guidance on how to bring their investment in Loyyal to date to account in accordance with Australian accounting standards an investment in a preliminary financial report. As noted above, if the RFN bid is successful, an independent value will be required to determine the fair market value of the Loyyal assets. RFN has been in correspondence with a US law firm, but did not seek advice from a US law firm on the subject matter of ASX's paragraph 3.

4. **Please provide the following financial information for Loyyal as at 28 July 2020 (the date of the Chapter 7 bankruptcy) or as subsequently updated by the Chapter 7 bankruptcy trustee:**

- a) **total assets; and**
- b) **total liabilities.**

If this financial information is not available, please explain why not.

RFN notes that it has already provided ASX with a copy of the Loyyal creditors petition report. RFN confirms it has not received any additional report from the bankruptcy trustee and does not otherwise have in its possession a balance sheet for Loyyal. RFN understands that the bankruptcy trustee may issue a further report towards the end of the process, which RFN understands will be at least a month away.

The creditor's petition does not contain a balance sheet however page 16 of the creditor's petition states in summary form the assets and liabilities.

These are:

Total assets \$1,116.54 USD

Total liabilities \$3,696,549.60 USD

RFN's view is that the potential value of the patents is reflected in the valuation of the last Loyyal capital raising and therefore RFN's view is that the patent value is effectively off-balance sheet.

5. **Does RFN consider that its level of operations is sufficient to warrant the continued quotation**



of its securities and its continued listing on ASX under Listing Rule 12.1? In answering this question, please explain the basis for RFN's conclusion and comment on the nature of the RFN's current business activities.

If the answer to this question is 'no', please explain what steps RFN has taken, or proposes to take, to warrant continued quotation of its securities and continued listing on ASX under Listing Rule 12.1.

Yes. Reffind recently completed a capital raise of \$880,000 from sophisticated investors as announced on 22 July 2020 for Wooboard operations and working capital. This shows significant investor support for Wooboard. Further, it is the director's view that Reffind has announced several substantial Wooboard specific milestones to the market in the past three quarterly reports and numerous stand-alone announcements pertaining to Wooboard to market following a major Strategic Review by the new Reffind directors in to the Wooboard business. Wooboard has recently hired a new senior technical developer to continue enhancing Wooboard. Wooboard is also in the process of recruiting a new senior executive with a minimum of 10-years HR experience to further strengthen the Wooboard executive team. Reffind anticipates this hire to be in place during the current quarter. From Reffind's observations, it is the directors' view the operations, scale and market potential of Reffind's core business (Wooboard) are comparable with other listed SAAS businesses on the ASX. RFN also hopes to be successful in its bid for Loyyal, which will result in Reffind being able to continue its two separate, but industry aligned, businesses.

6. Does RFN consider that the financial condition of RFN is sufficient to warrant the continued quotation of its securities and its continued listing on ASX under Listing Rule 12.2? In answering this question, please explain the basis for RFN's conclusion.

If the answer to this question is 'no', please explain what steps RFN has taken, or proposes to take, to warrant continued quotation of its securities and continued listing on ASX under Listing Rule 12.2.

Yes, as per the reasons above, RFN has ongoing investor support for its capital raising to substantially invest in and grow its business operations.

7. Please confirm that RFN is complying with the Listing Rules and, in particular, Listing Rule 3.1.

Confirmed.

10. Please confirm that RFN's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of RFN with delegated authority from the board to respond to ASX on disclosure matters.

The Company confirms that the responses provided by in this letter have been authorized and approved by the Board.

Should you have any further queries, please contact the undersigned.

Your sincerely for and on behalf of Reffind

Mr Declan Jarrett
Non executive director and company secretary



10 September 2020

Reference: 24054

Mr Declan Jarrett
Non-Executive Director and Company Secretary
Reffind Limited
Suite 452, Level 5
31 Castlereagh Street
Sydney NSW 2000

By email

Dear Mr Jarrett

Reffind Limited ('RFN'): Query letter regarding Preliminary Final Report

ASX Limited ('ASX') refers to the following:

A. RFN's Preliminary Final Report for the financial year ended 30 June 2020 ('FY2020') released on the ASX Market Announcements Platform ('MAP') on 31 August 2020 ('Preliminary Final Report'), which included the following disclosure:

- (i) *'The financial statements are in the process of being audited and an unqualified opinion, modified to include an emphasis of matter with respect to going concern, is expected to be issued'* (see Item 10 of the Appendix 4E).
- (ii) Revenue of \$66,062 for FY2020 (all derived from sales of WooBoard Software as a Service products [see Note 1 on page 5]).
- (iii) Net cash used in operating activities of \$1,373,572 in FY2020.
- (iv) A 'closing fair value' of RFN's investment in Loyyal Corporation ('Loyyal') of \$3,444,931 at 30 June 2020 (see Note 7 on page 7).
- (v) The following additional information regarding Loyyal in Note 7:

'On 24 June 2020 the group filed a claim in the United States District Court (Northern District of California) in the amount of USD\$883,969. On 28 July 2020, Loyyal Corporation entered Chapter 7 bankruptcy protection in the United States.

In calculating the fair value of the group's investment in Loyyal, the directors have considered the current financial situation of Loyyal and determined that there is no decline in fair value. The group is a member of a consortium of sophisticated investors engaged in a competitive bidding process for the Loyyal assets in bankruptcy. The directors are of the view that the group has strong prospects to emerge as the winning bidder in conjunction with its consortium of sophisticated investors and consequently, there is no decline in fair value. If the group is not successful in its consortium bid then there will be a significant decline in the fair value of the investment.'

B. RFN's announcement titled 'Loyyal Investment Update' released on MAP on 28 July 2020, which included the following statements:

'Loyyal has filed for bankruptcy protection. Reffind, in conjunction with the consortium, presently intends to bid for the assets of Loyyal. If successful, Reffind and the consortium would, subject to funding, continue to operate the business, await trading conditions to improve and, at the appropriate time, put Loyyal on a path to IPO. Reffind may need to conduct a further capital raising

and will consider if and when a further capital raising is required and will advise the market accordingly.'

- C. The website of the Securities and Exchange Commission ('SEC')¹, which includes the following statements in relation to Chapter 7 Bankruptcy (emphasis added):

'What Happens to the Company?

Federal bankruptcy laws govern how companies go out of business or recover from crippling debt ...

Under Chapter 7, the company stops all operations and goes completely out of business. A trustee is appointed to "liquidate" (sell) the company's assets and the money is used to pay off the debt, which may include debts to creditors and investors ...

What is Chapter 7 Bankruptcy?

Some companies are so far in debt or have other problems so serious that they can't continue their business operations. They are likely to "liquidate" and file under Chapter 7. Their assets are sold for cash by a court appointed trustee. Administrative and legal expenses are paid first, and the remainder goes to creditors. Secured creditors will have their collateral returned to them. If the value of the collateral is not sufficient to repay them in full, they will be grouped with other unsecured creditors for the rest of their claim. Bondholders, and other unsecured creditors, will be notified of the Chapter 7, and should file a claim in case there's money left for them to receive a payment.

Stockholders do not have to be notified of the Chapter 7 case because they generally don't receive anything in return for their investment. But, in the unlikely event that creditors are paid in full, stockholders will be notified and given an opportunity to file claims.

Does My Stock or Bond Have Any Value?

Usually, the stock of a Chapter 7 company is worthless and you have lost the money you invested.

If you hold a bond, you might only receive a fraction of its face value. It will depend on the amount of assets available for distribution and where your debt ranks in the priority list on the first page. If your bond is secured by collateral, your payment will depend in large part on the value of the collateral.'

- D. Listing Rule 12.1 which states:

'The level of an entity's operations must, in ASX's opinion, be sufficient to warrant the continued quotation of the entity's securities and its continued listing.'

- E. Listing Rule 12.2 which states:

'An entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.'

- F. Listing Rule 19.11A which states:

'If a listing rule requires an entity to give ASX accounts, the following rules apply.'

¹ See the webpage 'Bankruptcy: What Happens When Public Companies Go Bankrupt' (available at: <https://www.sec.gov/reportspubs/investor-publications/investorpubsbankrupthtm.html>)

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- (a) *If the entity controls an entity within the meaning of section 50AA of the Corporations Act or is the holding company of an entity, required by any law, regulation, rule or accounting standard, or if ASX requires, the accounts must be consolidated accounts.*
 - (b) *The accounts must be prepared to Australian accounting standards ...*
 - (c) *If the listing rule requires audited accounts, the audit must be conducted in accordance with Australian auditing standards by a registered company auditor ...*
 - (e) *If there is a directors' declaration that relates to the accounts, the directors' declaration must be given to ASX with the accounts.*
 - (f) *If there is a directors' report that relates to the period covered by the accounts, the directors' report must be given to ASX with the accounts.'*

Questions and Request for information

In light of the information contained in the Preliminary Final Report, the implications of a Chapter 7 Bankruptcy application in the United States of America and the application of the Listing Rules stated above, please respond separately to each of the following questions and requests for information:

1. In the directors' opinion, do the financial statements in the Preliminary Final Report:
 - a) comply with the relevant accounting standards?
 - b) give a true and fair view of RFN's financial performance and position?
2. Please explain how the directors satisfied themselves that:
 - a) the closing fair value of \$3,444,931 for RFN's investment in Loyyal is appropriate and adheres to the current Australian Accounting Standards; and
 - b) there has been no decline in the value of RFN's investment despite Loyyal entering into Chapter 7 bankruptcy on 28 July 2020.

In answering a) and b) above, reference should be made to the underlying assumptions used by the directors in coming to their conclusions, the Chapter 7 bankruptcy, and any independent advice or reports obtained by RFN.
3. Please provide a copy of any independent legal or accounting advice which RFN has obtained from advisers with relevant experience in Chapter 7 bankruptcy in relation to its investment in Loyyal and the closing fair value of \$3,444,931 included in the Preliminary Final Report (not for release to the market).²

If no independent legal or accounting advice has been obtained, please explain why not.
4. Please provide the following financial information for Loyyal as at 28 July 2020 (the date of the Chapter 7 bankruptcy) or as subsequently updated by the Chapter 7 bankruptcy trustee:
 - a) total assets; and
 - b) total liabilities.

If this financial information is not available, please explain why not.

² The fact that ASX tells an entity that a document is not for release to the market does not prevent ASX from releasing any of the information contained in the document (as opposed to the document itself) to the market if ASX considers it necessary to inform the market.

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5. Does RFN consider that its level of operations is sufficient to warrant the continued quotation of its securities and its continued listing on ASX under Listing Rule 12.1? In answering this question, please explain the basis for RFN's conclusion and comment on the nature of the RFN's current business activities.

If the answer to this question is 'no', please explain what steps RFN has taken, or proposes to take, to warrant continued quotation of its securities and continued listing on ASX under Listing Rule 12.1.
 6. Does RFN consider that the financial condition of RFN is sufficient to warrant the continued quotation of its securities and its continued listing on ASX under Listing Rule 12.2? In answering this question, please explain the basis for RFN's conclusion.

If the answer to this question is 'no', please explain what steps RFN has taken, or proposes to take, to warrant continued quotation of its securities and continued listing on ASX under Listing Rule 12.2.
 7. Please confirm that RFN is complying with the Listing Rules and, in particular, Listing Rule 3.1.
 10. Please confirm that RFN's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of RFN with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9:30am AEST on Wednesday, 16 September 2020**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, RFN's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require RFN to request a trading halt immediately.

Your response should be sent to me by e-mail. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in RFN's securities under Listing Rule 17.1. If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Suspension

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in RFN's securities under Listing Rule 17.3.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to RFN's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that RFN's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence with ASX

ASX reserves the right to release a copy of this letter, your reply and any other related correspondence between us to the market under Listing Rule 18.7A.

Questions

If you have any questions in relation to the above, please contact me.

Yours sincerely

Ivan Tatkovich
Adviser, Listings Compliance (Sydney)