

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

CASHREWARDS LIMITED

ABN

95 615 084 654

Quarter ended ("current quarter")

30 September 2021

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|------------------------------------|--|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 6,505 | 6,505 |
| 1.2 Payments for | | |
| (a) research and development | (185) | (185) |
| (b) product manufacturing and operating costs | (3,942) | (3,942) |
| (c) advertising and marketing | (5,845) | (5,845) |
| (d) leased assets | - | - |
| (e) staff costs | (3,569) | (3,569) |
| (f) administration and corporate costs | - | - |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | - | - |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Government grants and tax incentives | 306 | 306 |
| 1.8 Other (Cashback to Members) | (5,032) | (5,032) |
| 1.9 Net cash from / (used in) operating activities | (11,761) | (11,761) |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire or for: | | |
| (a) entities | - | - |
| (b) businesses | - | - |
| (c) property, plant and equipment | (39) | (39) |
| (d) investments | - | - |
| (e) intellectual property | (1,726) | (1,726) |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|--------------------------------------|---|----------------------------|---------------------------------------|
| | (f) other non-current assets | - | - |
| 2.2 | Proceeds from disposal of: | | |
| | (a) entities | - | - |
| | (b) businesses | - | - |
| | (c) property, plant and equipment | - | - |
| | (d) investments | - | - |
| | (e) intellectual property | - | - |
| | (f) other non-current assets | - | - |
| 2.3 | Cash flows from loans to other entities | - | - |
| 2.4 | Dividends received (see note 3) | - | - |
| 2.5 | Other (provide details if material) | - | - |
| 2.6 | Net cash from / (used in) investing activities | (1,765) | (1,765) |

| | | | |
|-------------|---|----------|----------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | - | - |
| 3.2 | Proceeds from issue of convertible debt securities | - | - |
| 3.3 | Proceeds from exercise of options | - | - |
| 3.4 | Transaction costs related to issues of equity securities or convertible debt securities | - | - |
| 3.5 | Proceeds from borrowings | - | - |
| 3.6 | Repayment of borrowings | - | - |
| 3.7 | Transaction costs related to loans and borrowings | - | - |
| 3.8 | Dividends paid | - | - |
| 3.9 | Other (provide details if material) | - | - |
| 3.10 | Net cash from / (used in) financing activities | - | - |

| | | | |
|-----------|--|----------|----------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 26,088 | 26,088 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (11,761) | (11,761) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (1,765) | (1,765) |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|--------------------------------------|---|----------------------------|---------------------------------------|
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | - | - |
| 4.5 | Effect of movement in exchange rates on cash held | 4 | 4 |
| 4.6 | Cash and cash equivalents at end of period | 12,566 | 12,566 |

| 5. | Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter \$A'000 | Previous quarter \$A'000 |
|------------|---|----------------------------|-----------------------------|
| 5.1 | Bank balances | 12,266 | 26,088 |
| 5.2 | Call deposits | - | - |
| 5.3 | Bank overdrafts | - | - |
| 5.4 | Other (Term Deposit) | 300 | - |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 12,566 | 26,088 |

| 6. | Payments to related parties of the entity and their associates | Current quarter \$A'000 |
|---|--|----------------------------|
| 6.1 | Aggregate amount of payments to related parties and their associates included in item 1 | 178 |
| 6.2 | Aggregate amount of payments to related parties and their associates included in item 2 | - |
| <p><i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i></p> <p>6.1 Payments were made to related parties of Cashrewards during the quarter which comprised of Non-Executive Director fees and Executive Director salaries.</p> | | |

| | | |
|---|---|--|
| 7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i> | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
| 7.1 Loan facilities | - | - |
| 7.2 Credit standby arrangements | - | - |
| 7.3 Other (please specify) | - | - |
| 7.4 Total financing facilities | - | - |
| 7.5 Unused financing facilities available at quarter end | | - |
| 7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well. | | |
| | | |

| | |
|--|----------------|
| 8. Estimated cash available for future operating activities | \$A'000 |
| 8.1 Net cash from / (used in) operating activities (item 1.9) | (11,761) |
| 8.2 Cash and cash equivalents at quarter end (item 4.6) | 12,566 |
| 8.3 Unused finance facilities available at quarter end (item 7.5) | - |
| 8.4 Total available funding (item 8.2 + item 8.3) | 12,566 |
| 8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1) | 1.1 |
| <i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i> | |
| 8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions: | |
| 8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not? | |
| Answer: Slightly reduced spend in upcoming quarters | |
| 8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful? | |
| Answer: As announced on 22 October 2021, the Company has entered into a \$15 million loan facility agreement with 1835i which will be available to be drawn from 1 November 2021. | |

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes – as discussed in section 8.6.2 and announced on 22 October 2021, the Company has entered into a loan facility agreement which will enable it to meet its short term business objectives. The Company has also entered into a Bid Implementation Deed with 1835i in relation to 1835i's off-market takeover bid for Cashrewards. Cashrewards will continue to offer its leading cashback service to Australian shoppers and merchants while building on its strong commercial partnership with ANZ, including the recently launched Cashrewards Max.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 29 October 2021

Authorised by: The Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Cashrewards delivers strong start to FY22

29 October 2021: Cashrewards Limited (Cashrewards) (ASX:CRW) is pleased to provide its Quarterly Activities Report for the quarter ended 30 September 2021.

Highlights

- New members of 82,917, up 58% against the prior corresponding period (pcp). This takes Total Members to 1,149,761, representing an increase of 42% on pcp
- Active members¹ rose to 282,166, growing 29% against pcp, while underlying² active members increased 36% to 272,555, demonstrating continued strong engagement with our members
- Underlying Total Transaction Value (TTV) through the Cashrewards platform of \$96.8 million, up 29% against pcp
- Encouraging active member conversion since launch of Cashrewards Max™ as we continue to work towards our shared ambition with ANZ Bank to add close to half a million active members by early FY23
- Cash receipts³ from customers of \$6.5 million, up 40% against pcp
- Net cash used in operating activities of \$11.8 million, incorporating costs associated with the Cashrewards Max™ launch
- Cash and cash equivalents as at 30 September 2021 of \$12.6 million
- Following the completion of the quarter, Cashrewards announced that it had entered a Bid Implementation Deed with 1835i⁴, which has the unanimous support from the Independent Board Committee, and major shareholder support
- As a part of the Bid Implementation Deed, Cashrewards entered into a \$15 million loan agreement with 1835i, which will assist with Cashrewards cashflow management⁵

Cashrewards CEO and Managing Director, Bernard Wilson, said: “It is pleasing to see our team delivering a strong start to FY22, with progress in each of our key success metrics despite lockdowns further constraining travel and demand for key discretionary retail categories.

“Having exposure to almost all shopping categories means we were able to continue to grow underlying Total Transaction Value (TTV). At the same time, our strong product and innovation focus continues to encourage active members to start more of their shopping missions with Cashrewards.

¹ An active member is a person who has transacted with Cashrewards during the last 12 months. Numbers reported are 12 months to September 30.

² Underlying excludes gift cards and travel given COVID-19 impact on the travel category and change to gift card offering during FY21

³ Cash receipts from customers does not reflect revenue in the period, as commission revenue is recognized on the member transacting whereas cash receipts reflect when the merchant pays Cashrewards for the commission; payment terms vary by merchant

⁴ 1835i Ventures Trusco III Pty Ltd in its capacity as trustee to the 1835i Ventures Trust III (1835i), the external innovation and venture partner of Australia and New Zealand Banking Group Limited (ANZ)

⁵ For further details of this loan, including conditions and events of default, see Cashrewards' announcement on 22 October 2021.

"We were delighted to launch Cashrewards Max™ during the quarter. The early signs are encouraging as we drive towards our shared target of close to half a million active members by early FY23.

"We are also pleased to have entered into a Bid Implementation Deed with 1835i and believe it is in the best interests of our shareholders in the absence of a superior proposal. It provides an opportunity for our shareholders to realise a significant premium to the trading price of Cashrewards shares prior to announcement of the takeover bid." said Mr Wilson.

Operational update

Key membership and engagement metrics

| | Q1FY22 | Q1FY21 | %+/- |
|----------------------------------|-----------|---------|------|
| New members | 82,917 | 52,573 | 58% |
| Total members | 1,149,761 | 807,254 | 42% |
| Reported active members | 282,166 | 218,438 | 29% |
| Underlying active members | 272,555 | 200,170 | 36% |
| Underlying transactions | 865,004 | 718,927 | 20% |
| Underlying TTV | \$96.8m | \$75.0m | 29% |

Cashrewards delivered a strong operating performance across all its key growth metrics despite COVID-19 lockdowns reversing a nascent recovery in travel and depressing demand in some discretionary retail categories in the economy at large.

Cashrewards expects to see the benefits of the economic re-opening and a recovery in travel from the December quarter and beyond.

Cashflows

Cash receipts from customers in the quarter were \$6.5 million, up 40% against pcpr, reflecting strong growth in member metrics and frequency. Cash receipts from customers do not reflect revenue in the period, as commission revenue is recognised on the member transacting, whereas cash receipts reflect when the merchant pays Cashrewards for the commission.⁶

Net cash used in operating activities was \$11.8 million, incorporating costs associated with the Cashrewards Max™ launch, of which a portion was reimbursed by ANZ in October under the co-funding agreement.

As usual, a significant portion of costs incurred during the quarter related to initiatives to be executed in subsequent quarters. Cashrewards is preparing for the key December quarter shopping and gifting period which in FY21 represented 32% of TTV generated on the platform.

⁶The nature of Cashrewards' business model means that quarterly cashflow reports do not accurately reflect quarterly trading performance as receipt of cash depends upon when Cashrewards is paid by a merchant. In addition, operating cashflows are also influenced by seasonal and category trends which impact the timing receipt of both cash inflows and outflows. Whilst Cashrewards' revenue recognition policy varies depending on the revenue category, revenue is typically recognised at the point of a transaction, whereas cash for that transaction is received at a later date.

September quarter costs also included significant product and technology enhancements to Cashrewards' core platform that will benefit overall business performance in the months to come.

On 30 September 2021, cash and cash equivalents stood at \$12.6 million.

Member liability and the capital management strategy

As Cashrewards grows both active members and underlying TTV, it must recognise a growing member liability⁷ on its Statement of Financial Position to account for cashback that has been both earned and approved but not yet withdrawn by members.

Whilst from an accounting point of view this liability is recognised in full, it is important to note that should members continue their historical behaviour, only a portion of retained cashback will be withdrawn in any given month given many members' preference to accumulate cashback over time before redeeming.

Cashrewards' capital management strategy ensures sufficient liquidity is available for its net working capital obligations, including the payment of cashback withdrawals as requested by members, whilst also allowing continued investments to achieve scale.

At the same time as entering into the Bid Implementation Deed with 1835i, 1835i provided Cashrewards with a loan facility of up to \$15 million for a term of 6 months from 1 November 2021 ensuring the business is in a position to fund cashback withdrawals whilst using its available cash to fund working capital requirements and its growth strategy. Prior to entering into the Bid Implementation Deed and loan facility, the Board had also considered a number of alternative options to raise capital to meet these funding requirements and considered that those were less optimal.

Bid Implementation Deed with 1835i Ventures

On 22 October 2021, Cashrewards announced that it has entered into a Bid Implementation Deed with substantial shareholder 1835i, whereby 1835i will make an off-market takeover bid for Cashrewards at a price of \$1.135 per share.

The Cashrewards Independent Board Committee (IBC) unanimously recommends that Cashrewards shareholders accept the Offer in the absence of a superior proposal.

Further, Mr Andrew Clarke, Alium Capital (and its associated entities) and M&S Skyleisure Pty Ltd representing a combined 39.4% interest in Cashrewards shares on issue have each confirmed a non-binding intention to accept the Offer in the absence of a superior proposal.

Additional details of the proposed Offer will be included in the Target and Bidder statements that are expected to be uploaded to the ASX and on our website in the near future. The Target's Statement will include an independent expert's report on the transaction as well as full details of the reasons for the IBC's recommendation that Cashrewards shareholders accept the Offer in the absence of a superior proposal.

As previously advised, Cashrewards shareholders do not need to take any action at the current time.

⁷ This is broken down between a component recognised in "trade and other payables" and "provisions". The latter represents member cashback where the members' balance is less than \$10.01, such that they do not have a present entitlement to withdraw their cashback.

Use of funds

The Cashrewards Initial Public Offer (the “Offer”) raised \$44.9 million (before costs) and after payments to divesting shareholders. Cashrewards retained \$39.2 million of cash after funding the costs of the offer. These funds are being invested primarily in:

- marketing to drive brand and category penetration and grow member engagement;
- product, technology and platform development;
- research and development to support continued product development and innovation; and
- key talent acquisition and working capital.

As disclosed in the prospectus dated 10 November 2020 (prospectus), Cashrewards has and will continue to intentionally increase the proportion of commission from merchant partner sales that it pays to members in the form of cashback to increase penetration and drive accelerated growth in key operating metrics as it continues to scale. Although Cashrewards views the additional cashback spend as a marketing item, and as such it will be funded out of the marketing budget, this cost will be recognised in cost of sales in the income statement.

The funds raised under the Offer are being applied as per the below table, as outlined in Cashrewards’ prospectus:

| Uses of funds | Funds received per prospectus (\$m) | % of Offer funds | FY21 Expenditure (\$m) | Q1FY22 Expenditure (\$m) | Cumulative since Offer (\$m) |
|--|--|-------------------------|-------------------------------|---------------------------------|-------------------------------------|
| Marketing | 14.0 | 21.5% | 6.6 | 5.8 | 12.4 |
| Ongoing investment in product, technology and platform development | 7.6 | 11.7% | 3.0 | 3.9 | 6.9 |
| Working Capital | 8.3 | 12.7% | 2.0 | 1.1 | 3.1 |
| Key employee hires | 4.0 | 6.2% | 1.1 | 0.8 | 1.9 |
| Research & Development | 3.6 | 5.5% | 2.8 | 1.9 | 4.7 |
| Repayment of debt | 2.0 | 3.1% | 2.0 | - | 2.0 |
| Costs of the Offer | 5.5 | 8.5% | 5.7 | - | 5.7 |
| Payments to Selling Shareholders | 20.0 | 30.8% | 20.0 | - | 20.0 |
| Total uses | \$65.0 | 100.0% | \$43.2 | \$13.5 | \$56.7 |

Costs are largely aligned with the Cashrewards’ expected use of funds as outlined in its Prospectus.

As noted in section 6 of Appendix 4C, payments totalling circa \$178,471 were made to related parties of Cashrewards during the quarter, comprising Non-Executive Director fees and Executive Director salaries.

This announcement was approved by Cashrewards' Board.

For more information, please contact:

Investors

Vanessa Beresford

T: +61 451 422 892

E: vberesford@citadelmagnus.com

Media

James Tait

T: +61 400 304 147

E: jtait@respublica.com.au

About Cashrewards

Australian-owned and operated, Cashrewards is the leading Australian cashback ecosystem, where Members browse brands and offers and receive cashback on transactions by shopping online or in-store.

Cashrewards provides over one million Members with a broad array of Cashback offers via its 1,800+⁸ Merchant Partners including Apple, Myer, Liquorland, Adidas, Bonds, Target, Booking.com and The Iconic.

These offers are funded by Cashrewards' Merchant Partners, who work with Cashrewards because of its unique proposition which drives best-in-market returns for brands on their marketing investment.

This ecosystem has driven more than \$2.7 billion of TTV for Merchant Partners since its inception, translating into more than \$120 million of Cashback for Members.⁹

Cashrewards was the first Pledge 1% business to list on the ASX, with children's charity the Starlight Foundation the key beneficiary. Since making the pledge, Cashrewards has donated more than \$900,000 to the Foundation, helping more than 23,000 sick children and their families.

⁸ As at the end of Q1 FY22

⁹ As at the end of FY21.