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Australian Bond Exchange Q1 FY24 Quarterly Activity Report

30 October 2023

Australian Bond Exchange Holdings Limited (ASX: ABE) (“Australian Bond Exchange” or “ABE” or “the company”) releases its Appendix 4C Quarterly Cash Flow Report and Business Update for the quarter ended 30 September 2023 (Q1 FY24).

Highlights

- **Revenue and other income for the quarter was \$1.35 million, a 7% increase compared to the prior quarter.**
- **Launched MA Financial AUD denominated Credit Linked Security further adding to ABE’s suite of unique products.**
- **Launched Australian Credit Opportunities Fund, an investment unit trust extending ABE’s product offerings focussed on investor needs.**
- **Client numbers increased 9% over the quarter and total client holdings increased 17% showing positive growth in both number of clients and size of portfolios.**

Australian Bond Exchange, an innovative financial technology and services company providing access to the OTC bond market for private investors, funds and financial institutions, is pleased to report another quarter of strong revenue for Q1 FY24. ABE continues on its path to make bonds more accessible to Australian private investors and service this largely untapped market in Australia.

Australian Bond Exchange CEO Bradley McCosker said “We are pleased to report another quarter where our total revenue exceeded \$1million. Our business continues to grow with an increase in the number of clients by 9% compared to the previous period. Over the quarter, in addition to secondary market trading activity, we continued to see growth in the popular market linked securities with additional product being added.”

During the quarter, ABE continued to actively engage with stakeholders, with an investor update presentation providing an overview of ABE’s business performance for the financial year ended 30 June 2023 and highlighted the company’s immediate and longer-term strategic priorities. Importantly, bond trading remains the foundation of ABE’s business driving a stable and growing revenue source. ABE also remains committed to its longer-term strategic priorities which include its

proprietary technologies that helps deliver on the company's mission to provide all investors with equal access to financial markets with efficiency and transparency at the core. A recording of the presentation and a copy of the slide deck are both available on ABE's website.

Financial performance

Revenue and other income of \$1.35 million was achieved for the quarter and represented a 7% increase on the prior quarter driven by ongoing successful execution of the company's client acquisition strategy and product offerings that meet client demand. Trading volumes transacted out of ABE's Singapore trading desk continue to make sustained contributions to revenue.

Net operating cash flow for the quarter was a shortfall of \$1.29m compared to an operating cash surplus of \$0.9m in the previous quarter. This fluctuation in net operating cash flow was largely driven by timing differentials which included prepayments for insurance, a once-off annual payment. As signalled to the market previously, ABE manages its cash position in conjunction with the inventory holdings, receivables and payables. ABE has undertaken a cost reduction program, with a target to eliminate \$2.0m in operating overheads for FY24.

Operational Activities

During the period ABE continued with its product innovation with the dual issuance of the MA Financial Group Bond under a Secured Medium Term Note Programme and a market linked instrument with the bond as its underlying reference entity. As a reflection of ABE's continued ability to identify investor needs, \$23 million of the MA Financial products during the period was issued.

ABE has continued to increase its sales and marketing activities to support its client acquisition strategy. During the quarter ABE invested in increased online marketing and advertising campaigns to support the growth in client numbers, with client numbers increasing 9% over the quarter, matched by increasing total client holdings by 17%. Increasing client numbers and increasing holdings per client reflects the loyalty of clients and the ability of ABE's product team to provide investments to suit Australian investor's needs.

An important milestone achieved during the quarter, in partnership with the Boston Global Group launched the Australian Credit Opportunities Fund. The Fund is a new wholesale, unregistered, and open-ended pooled investment unit trust formed to provide wholesale and sophisticated investors with exposure to fixed income securities and credit opportunities. The Fund has and will continue to attract direct client investment from which ABE receives revenue, as well as enable more product offerings (mainly deferred purchase agreements) to be developed. The fund allows ABE to reach a new demographic of clients, widen the investment diversity of existing clients and allows clients to further leverage ABE's extensive market knowledge and experience combined with the expertise of the Boston Global Group. The Fund is well suited to enhance our overall offering.

Use of Funds

In accordance with ASX Listing Rule 4.7C.2, Australian Bond Exchange Holdings Limited provides the following update on its use of funds (unaudited) below.

Use of Funds	Use of funds as per Prospectus (\$AUD'000)	Expenditure Quarter ended 30 Sep 2023 (\$AUD'000)	Total Actual Expenditure (\$AUD'000)
Sales and Marketing	6,592	1,192	8,100
Further Development of ABE technology and Intellectual Property protection	450	172	1,204
Operational Expenses	700	193	1,612
Working Capital	2,000	0	0
Inventory and Liquidity Funding	4,347	0	4,347
Expenses of the Offer	1,583	0	1,804
Total	15,672	1,557	17,067

Related party payments

In accordance with ASX Listing Rule 4.7C.3, and as noted in Item 6 of the Appendix 4C, Australian Bond Exchange Holdings Limited notes that \$68,608 was paid to related parties during the quarter ended 30 September 2023. These payments related to payments to Lannali Pty Ltd, whose advisers are related parties.

Authorised by the Board

Steve Alperstein

Company Secretary

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About Australian Bond Exchange Holdings

Australian Bond Exchange Holdings (ASX: ABE) is an Australian financial services company that uses its proprietary technology to provide Australian Investors with direct access to the best of the fixed income asset class in Australia and internationally.

ABE's access and proprietary technology allows "access for all" in a transparent and efficient way. Transparent trading allows investors, brokers and advisers to deliver highly demanded fixed income asset class product to end clients.

This is coupled with an advanced AI driven Product Governance model, which allows greater investor protections, providing a new over the counter venue for private investors, financial advisers, and investment professionals to access the global financial markets.

ABE is eliminating barriers to entry to the bond market, providing access, efficiency, lower cost and transparency.

Appendix 4C

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

Name of entity

Australian Bond Exchange Holdings Limited

ABN

11 629 543 193

Quarter ended ("current quarter")

30 September 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	52,167	52,167
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(51,096)	(51,096)
(c) advertising and marketing	(217)	(217)
(d) leased assets	(134)	(134)
(e) staff costs	(1,546)	(1,546)
(f) administration and corporate costs	(525)	(525)
1.3 Dividends received (see note 3)		
1.4 Interest received	65	65
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,285)	(1,285)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(0)	(0)
(d) investments	-	-
(e) intellectual property	(172)	(172)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
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	(172)	(172)

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	(0)	(0)
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	(0)	(0)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5,863	5,863
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,285)	(1,285)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(172)	(172)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(0)	(0)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	4,406	4,406

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	4,406	5,863
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,406	5,863

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	68
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>Payments in 6.1 relate to payments to BGA Capital Pty Ltd and Lannali Pty Ltd, whose advisers are related parties.</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)	(1,285)
8.2	Cash and cash equivalents at quarter end (item 4.6)	4,406
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	4,406
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	3.4
<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: N/A	
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: N/A	
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: N/A	
<i>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.</i>		

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: 30 October 2023

Authorised by: 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.