ASX Release

29 April 2022

Activities Report for the Quarter ended 31 March 2022

Key Highlights

- During the quarter the Company continued to focus on driving its Payments and Lending Facility services.
- The Company achieved a 47% increase in the lending portfolio, with a gross client loan book of $11.9m as at 31 March 2022 (31 December 2021: $8.1m).
- Capital deployed within the Company's lending portfolio is across various industry sectors including Agriculture, Manufacturing and Business Services which generated an average yield of 19% during the quarter (31 December 2021: 18.7%).
- Cash receipts from customers were stable with $630k received in the quarter.
- 94% of cash receipts from customers represented recurring revenue, providing a solid base for future growth.
- The Company received a Research & Development rebate of $1.2m in the quarter.
- Normalised operating costs equated to $2.3m for the quarter or an average of $760k per month.
- Closing cash and cash equivalents of $9.7m as at 31 March 2022.
- Net cash position of $13.8m as at 31 March 2022 (refer Table 1).
- The Company released version 1.1 of its Spenda Accounts Receivable product to support growing payment trends and deliver improved performance and scalability.

Spenda Limited (**ASX: SPX**, "**Spenda" or "the Company"**) is pleased to release its quarterly Activities and Cash Flow report for the quarter ended 31 March 2022 (Q3 FY22).

As noted in its December 2021 quarterly, the Company focussed efforts in the current quarter on its existing sales pipeline, in respect to building payment and lending volumes in critical market segments to underpin long term recurring revenue growth.

During the quarter, the Company made significant steps in moving the core business toward profitability, as it transitions its focus from being a pure Research & Development based company to a revenue-generating company, through the commercialisation of the Spenda product suite.

The Company has transitioned away from all project-based works and has moved to a model that focuses on annual recurring revenue ("ARR"). This shift in focus provides greater certainty over the Company's future cash flows and provides a clearer pathway to profitability.

To achieve this shift the Company is focused on three principle strategies:

1. Leveraging the software as the infrastructure or the "vending machine" to facilitate the Company's Payment and/or Lending Facility services; as discussed in previous announcements, this strategy relies on the software acting as both the invitation model and the rails to process payments and access lending services;
2. Manage all loan funding and repayments via Spenda Payment Services; and
3. Coordinate the scaling of our lending products and services.

The acquisitions completed by the Company in 2021, has enabled diversification and the ability to layer potential revenue it can leverage from a single customer, via a three-pronged revenue model that includes:

1. Software as a Service ('SaaS') fees;
2. Payments processing fees; and
3. Lending Facility fees.

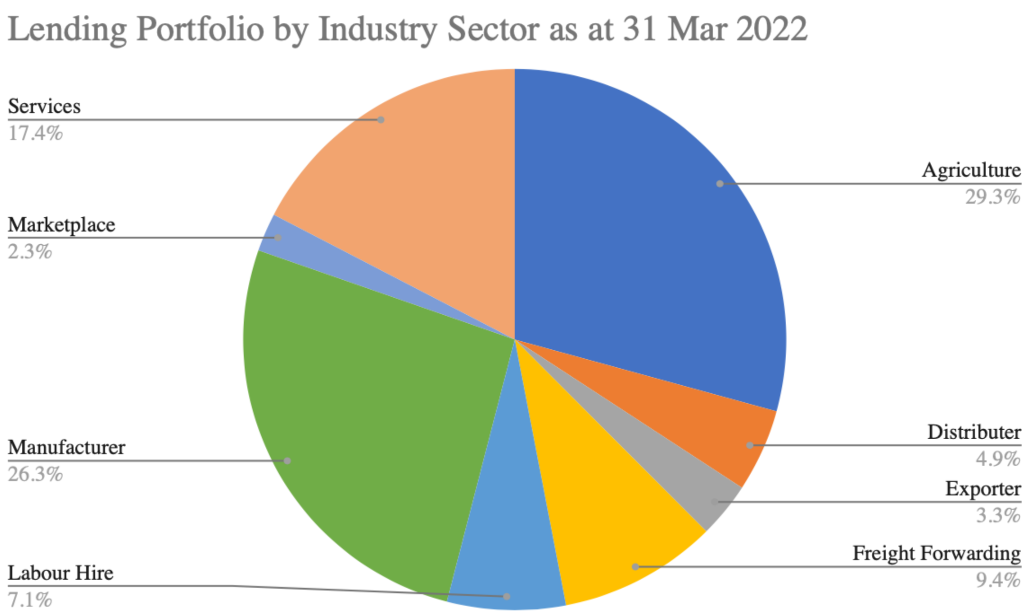
The above strategy provides the Company with the opportunity to bundle its services and/or heavily discount its SaaS fees, by installing the software within a customers operating environment it provides the Company direct access to generate revenue from its Payments processing and Lending Facility services.

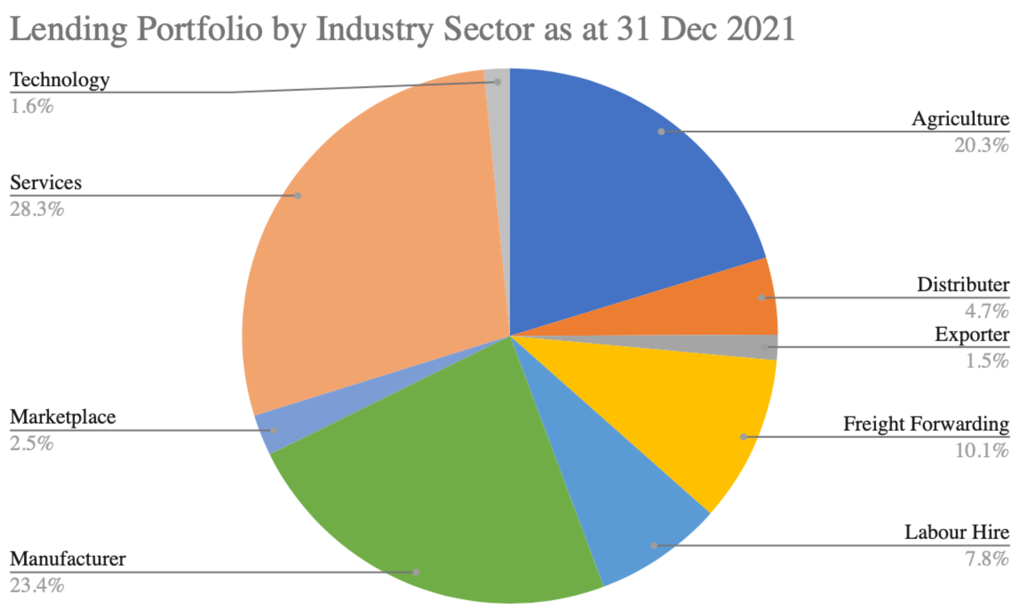
LENDING UPDATE

As reported last quarter, the Company delivered 71% growth in its lending portfolio as at 31 December 2021, since the acquisition of Invigo in August 2021, at an average yield of nearly 19%.

During the current quarter, the Company capitalised on various opportunities in its existing sales pipeline, deploying further capital and increasing its lending portfolio by a further 47%, with a gross client loan book of $11.9m as at 31 March 2022 (31 December 2021: $8.1m).

The below graphs provide a snapshot of the Company's lending portfolio, quarter on quarter, by Industry Sector:





www.spenda.co
Spenda Limited
ASX:SPX
ACN 099 084 143
shareholders@spenda.co

Pleasingly the Company expanded its lending portfolio into businesses that sit at the start of the value chain, being producer / manufacturing sectors, which now represents 57% of the portfolio. These key customers will anchor the expanding the Node to Spoke Strategy by offering their customers access to the Spenda product suite and are expected to provide continuing growth via network adoption of the Spenda Accounts Receivable ("SpendaAR") and Spenda Accounts Payable ("SpendaAP") services.

Export Finance

As announced by the Company in the December 2021 quarter, it funded its first cross-border lending facility transaction between Australia and China, delivering further on the agreement signed with Tyler James Pty Ltd ('James Tyler') and Fresh Supply Co Pty Ltd ('Fresh Supply Co') in November 2021.

The Company has completed further works to develop this Export Finance product which resulted James Tyler increasing utilisation of their lending facility to 40%

Furthermore, the Company signed further trade finance agreements with Australian manufacturers, with facility limits already at 50% utilisation.

The Company is now seeking to expand this portfolio and incorporate the inclusion of cross-border payments from key Australian Export markets.

Agricultural Lending

During the quarter, the Company signed further agreements, which continue to grow its AgriBusiness portfolio.

New trade finance agreements with facility limits totalling $1m were executed in the quarter, with $636k principal deployed as at 31 March 2022, to enable the client to fund the purchase of livestock, feed and transport costs.

Furthermore, the Company expanded its existing term loan facilities with a number of its existing clients, with an aggregate facility limit of $1.75m.

SME and Marketplace Finance

During the quarter the Company continued to deliver on its Buyer and Supplier Finance products to a variety of customers including independent retailers, small boutiques and online stores.

Supplier Financing

The Company continued to grow its Supplier Finance portfolio during the quarter. As at 31 March 2022 the Company's Debtor Finance loan book totalled $6.6m, an increase in portfolio balance of $1.4m from the prior quarter, representing growth of 27%. Growth in this portfolio came from various sectors including food and beverage, fashion and industrial businesses.

PAYMENTS UPDATE

During the quarter the Company continued to drive payments growth with flows reaching $12.9m for the period. There was a notable increase in payment flow towards the end of the quarter with a 29% growth from February to March and 20% growth December to March.

Subsequent to the quarter end, processing of newly contracted payment flows commenced. The Company expects that these new customer wins will drive payments volumes during the June quarter.

The Company did expect stronger growth in payments flow during the quarter however, the anticipated growth was hampered due to environmental and economic factors outside of the Company's control most notably trade delays from floods on the East Coast of Australia and a slow economic recovery from COVID-19 lockdowns and associated business restrictions.

CORPORATE AND FINANCIAL UPDATE

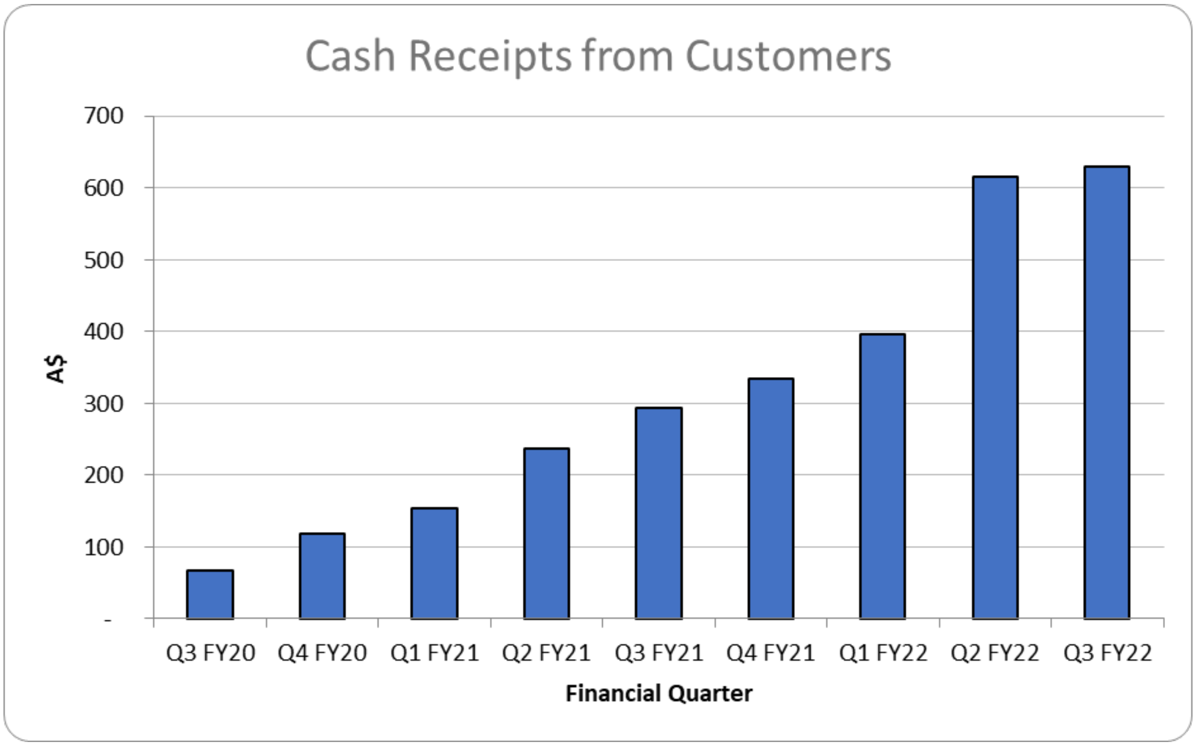
During the quarter the Company made significant changes to its operating rhythm, adopting a new model to reflect and streamline the growing nature of the Company. Implementing new business behaviours and team structures that are based on business requirements rather than products will enable the Company to better plan, build and sell highly functional business solutions.

In addition to refining team responsibilities, the Company also appointed a Head of Cyber Security responsible for implementing a strategy to ensure the Company's information assets and technologies are adequately protected.

Financial Position

Cash receipts from customers remained stable, with cash receipts for this quarter totalling $630k, compared to $615k for the 31 December 2021 quarter (2% growth) and $300k for the March 2021 quarter (100% growth).

Despite the stable nature of cash receipts, ARR continued to grow and now comprises 94% of the Company's revenue.



The Company had a closing cash position of $9.7m as of 31 March 2022 plus $11.9m in gross client loan book, representing loan capital deployed to multiple customers.

Net cash position	**$'m**
Cash and cash equivalents (A)	**9.7**
Gross client loan book	11.9
Less: Moneytech facility	(7.8)
Net client loan book (B)	**4.1**
Net cash position (A + B)	**13.8**

Table 1: *Net cash position*

Payments totalling $16,494 were paid directly to Mr Adrian Floate (Managing Director) in relation to directors' fees, bonus and superannuation on directors' fees. Mr Floate elected to receive shares in lieu of cash salary for the period 1 February 2022 to 30 June 2022, which was approved by shareholders at the Company's 2021 Annual General Meeting.

Accrued costs of $15,000 were recorded in relation to directors' fees for Mr Peter Richards for the quarter, and remain payable as at 31 March 2022.

Accrued costs of $17,500 were recorded in relation to directors' fees for Mr Howard Digby for the quarter, and remain payable as at 31 March 2022.

Payments totalling $27,500 ($25,000 excl. GST) were paid directly to Mr Stephen Dale in relation to directors' fees accrued to 31 December 2021. Accrued costs of $16,500 ($15,000 excl. GST) were recorded in relation to directors' fees for Mr Stephen Dale for the quarter, and remain payable as at 31 March 2022.

No other related party transactions occurred during the quarter.

Summary of operating expenditure incurred on business activities

The operating expenditure for the March 2022 quarter is summarised as follows:

Category	**$'000**
Product manufacturing and operating costs	38
Advertising and marketing	11
Leased assets	1
Staff costs	1,546
Administration and corporate costs	573

Table 2: *Summary of operating expenditure*

Cashflow Snapshot (refer to Appendix 4C)

	Current quarter $'000	**Monthly average $'000**
Cash receipts from customers	630	210
Less: operating expenditure	(2,169)	(723)
Adjust: Advisory costs associated with establishment of debt warehouse	117	39
Adjusted net operating cash outflow	**(1,422)**	**(474)**

Table 3: *Cash flow snapshot*

Pathway to profitability

As noted, the Company made significant steps during the quarter in respect to moving the core business towards profitability. In order to understand how the Company may achieve positive operating cash flows and to better understand its anticipated trajectory, it is important to understand the key metrics that drive revenue:

1. **SaaS fees**
2. **Payments processing fees**
   - The average rate charged on the the value of payments processed is 1.25%
   - If $10m in payments were processed over the Spenda Platform this would equate to $125,000 in annual payment revenue
3. **Lending facility fees**
   - The average yield earned on capital deployed into the loan portfolio is 18.9%
   - If $10m in capital was deployed to clients within the loan portfolio this would equate to $1,890,000 in annual lending revenue

Market Capitalisation Revenue Multiplier 12.5 x total income.

www.spenda.co
Spenda Limited
ASX:SPX
ACN 099 084 143
shareholders@spenda.co

PRODUCT DEVELOPMENT

Release of Spenda Accounts Receivables V1.1 (AR)

- Delivering improved performance, scalability and flexibility to the Accounts Receivable product.
- Enhancement to the UX design to improve the user experience.
- Backend enhancements are designed to improve the security and performance of the software.
- Improved end-to-end reporting for merchant funding payments and smoother onboarding for new customers.

In addition to the above release of Spenda AR V1.1, development has continued on the Accounts Payable software. When released the Spenda Accounts Payable software will act as the partner to our AR software and help businesses manage the debt owed to businesses they trade with and to better control their cash flow.

To counteract the growing market sentiment toward BNPL services the Company will re-brand its pay-later solutions to Buyer Finance and Supplier Finance.

FUTURE FOCUS

To close out the financial year, we expect the June Quarter to be anchored by:

- The delivery of new payment and lending flows secured towards the end of the March quarter;
- Utilisation and expansion of the debt warehouse in our core target markets;
- Further convergence of lending and payment services; and
- Further releases of improved versions of Spenda Accounts Receivable and Accounts Payable software to support wider and speedier adoption of our services.

Commenting on the quarter Managing Director Adrian Floate said "This quarter has set the tone and trajectory for our future. Recurring revenues now dominate our income and this 4C should provide sufficient detail to shareholders to see our positive cash flow trajectory.

"Concurrently, our costs are more accurately reflected in our statement of cash flow as one-off payments associated with merging and establishment of our debt warehouse wind down.

"The debt warehouse, continuing convergence of lending and payments and furthering automation in all service lines are allowing us to deliver on KPI numbers that show a maintainable pattern towards positive cash flow."

- ENDS -

About Spenda

Spenda Limited (ASX: SPX) is a transaction services business supplying industries with a broad range of B2B payment services, digital trading software and integrated solutions. Our goal is to convert EFT payments to card payments utilising the BPSP engagement coupled with our payments collaboration framework. Our competitive advantages deliver customers end-to-end e-invoicing integration, rapid ordering, digital trust and automated reconciliation.

Spenda supplies its customers a recipe of integrated software to create a vertical market standard operating environment (SOE) that enables the effective and seamless transfer of data from multiple, disparate software systems in one standardised technology solution, such as SpendaRetail. Spenda has licensing agreements with third-party software vendors that enable it to provide integrated SOE solutions to its customers.

For investors seeking information on the Company's activities that relate to marketing, customer events and other acknowledgement of customer activities, this information will be posted to the Company's news section of the website and on social media channels with the handle #getSpenda, active on Twitter, LinkedIn, Instagram and Facebook.

For more information, see https://spenda.co/investor-centre/

This announcement has been authorised by the Board.

Investor Enquiries

Please email: investors@spenda.co

Appendix 4C

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

Name of entity

Spenda Limited

ABN	**Quarter ended ("current quarter")**
67 099 084 143	31 March 2022

Consolidated statement of cash flows			Current quarter $A'000	Year to date (9 months) $A'000
1.	**Cash flows from operating activities**			
1.1	Receipts from customers		630	1,641
1.2	Payments for			
	(a)	research and development	-	-
	(b)	product manufacturing and operating costs	(38)	(162)
	(c)	advertising and marketing	(11)	(175)
	(d)	leased assets	(1)	(8)
	(e)	staff costs	(1,546)	(4,554)
	(f)	administration and corporate costs	(573)	(2,998)
1.3	Dividends received (see note 3)		-	-
1.4	Interest received		5	23
1.5	Interest and other costs of finance paid		(130)	(349)
1.6	Income taxes paid		(690)	(1,620)
1.7	Government grants and tax incentives		1,174	1,174
1.8	Other (provide details if material)		(1,124)	(1,106)
1.9	**Net cash from / (used in) operating activities**		**(2,304)**	**(8,134)**

<u>Note to support item 1.8</u>

On receipt of a Research & Development rebate in the quarter, totalling $1.174m (relating to the 11 months ended 31 May 2021), the Company utilised these funds to repay a historical tax debt of $1.124m that was assumed on the acquisition of Appstablishment Software Group Pty Ltd.

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(2)	(94)
	(d) investments	-	-
	(e) intellectual property	-	-
	(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	Net Cash flows from loans to other entities	(1,029)	(3,572)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide detail if material)	-	929
2.6	**Net cash from / (used in) investing activities**	**(1,031)**	**(2,737)**

Note to support item 2.3

The Company had a net outflow in respect to its loan book with external clients totalling $1.029m for the quarter.

Note to support item 2.5

During the quarter ended 30 September 2021, the Company assumed $929k cash and cash equivalents on the acquisition of Invigo Pty Ltd, as announced by the Company on 26 July 2021.

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	2	185
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(1,000)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (Listed Option entitlement issue)	-	-
3.10	**Net cash from / (used in) financing activities**	**2**	**(815)**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	13,033	21,386
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,304)	(8,134)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,031)	(2,737)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2	(815)
4.5	Effect of movement in exchange rates on cash held		
4.6	**Cash and cash equivalents at end of period**	**9,700**	**9,700**

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	9,700	13,033
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)**	**9,700**	**13,033**

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	44
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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.

Item 6.1 relates to payments to directors, including director's remuneration, director bonus paid and director's superannuation

7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	10,000,000	7,022,249
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	10,000,000	7,022,249

7.5	**Unused financing facilities available at quarter end**	2,977,751
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.	

$10m unsecured facility with Moneytech Finance Pty Ltd with a margin rate of 1.51% per annum plus the base rate of 6.27%, and a monthly line fee of $7,122 at a term of 36 months.

$999,975 funding from various Mezzanine holders with an interest rate of 15% per annum was repaid during the previous quarter and included under section 3.6.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(2,305)
8.2	Cash and cash equivalents at quarter end (item 4.6)	9,700
8.3	Unused finance facilities available at quarter end (item 7.5)	2,978
8.4	Total available funding (item 8.2 + item 8.3)	12,678
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	6

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.

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?

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?

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?

N/A

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 April 2022

Authorised by: The Board of Directors

(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.