

ASX ANNOUNCEMENT

29 OCTOBER 2020

Q1 FY21 BUSINESS UPDATE

Key highlights:

- **Rewardle has progressed with implementation of its COVID-19 response strategy as outlined in ASX Announcement "COVID-19 Business Review and Update" - 31 July 2020.**
 - Generate services revenue for stability
 - Position to exploit accelerating trends
 - Return to Network growth when viable
- **Net cash used in operating activities decreased 51% QoQ from \$219k to \$108k due to the improved customer receipts, reductions in operating costs and ongoing government support.**
 - Receipts from customers increased 38% QoQ from \$85k to \$117k.
 - Outgoing cash payments decreased 10% QoQ from \$408k to \$367k.
 - COVID-19 support grants and tax incentives of \$142k were received.
- **The Company maintained its investment in Research and Development to extend the capabilities of the Rewardle Platform and continued preparing its FY20 R&D rebate claim.**

Commenting on the Company's activities during the Q1 FY21, Rewardle founder and Executive Chairman, Ruwan Weerasooriya, said:

"We've been working hard to ensure that the Company can preserve its team, intellectual property and operating capability until business development conditions improve."

"Our COVID-19 response strategy gives the Company flexibility and control over its destiny during these uncertain and challenging times."

"We're very pleased with results to date and I'd like to congratulate the team on how they have adapted to balancing services work, platform enhancements and ongoing merchant services."

"During the quarter we made great progress towards our goal of achieving cash flow break even operations before the end of JobKeeper. Moving forward we're continuing to focus on balancing short term cash flow with long term growth opportunities."

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Quarterly Cash Flow Commentary

Cash receipts from customers for Q1 FY21 were \$117k, an increase of \$32k or 38% from \$85k for the previous quarter.

During Q1 FY21 government grants and tax incentives of \$142k were received relating to COVID-19 support.

Outgoing cash payments for Q1 FY21 were \$367k, a decrease of \$41k or 10% from \$408k for the previous quarter.

Net cash outflows from operating activities for Q1 FY21 were \$108k, a decrease of \$111k or 51% from \$219k for the previous quarter.

Cash at the end of Q1 FY21 was \$23k.

While fluctuations in operating cash flow are to be expected, management is confident that through the execution of the COVID-19 response strategy the business can achieve cash flow break even operations before the end of JobKeeper support.

Operations update – Implementing “Survive and Thrive” strategy

During the quarter the Company made progress implementing its COVID-19 response strategy to navigate the business through the uncertain and challenging times ahead.

The strategy is based on ensuring that the Company can preserve its team, intellectual property and operating capability until business development conditions improve.

Having established that rebuilding Merchant Services (SaaS) revenue would remain challenging and that timing of recovery was out of the Company's control, it was determined that the most prudent path forward for the Company is to leverage its infrastructure and expertise to generate professional services income while positioning the Rewardle Platform for growth when business development conditions improve.

To address the short term cash flow challenges while positioning the business for the long term growth, the Company has implemented the following 3 part approach as detailed in ASX Announcement “COVID-19 Business review and update – 31 July 2020 :

1. Generate services revenue for stability
2. Position to exploit accelerating trends
3. Return to Network growth when viable

The Company has been working with a range of existing Merchant partners, new Commercial Partners and other organisations interested in accessing the Company's expertise to develop a pipeline of fee for services work such as strategy, management consulting, software development, e-commerce implementation and marketing. Cash flow from these professional services opportunities will bolster short term cash flow as JobKeeper support is phased out over coming months.

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Operations update – Implementing “Survive and Thrive” strategy... (cont.)

The Company has continued to invest in research and development to extend the capabilities of the Rewardle Platform to enhance its proposition for merchants, members and brand partners. This work is positioning the business to take advantage of accelerating trends due to the COVID-19 pandemic, in particular, the increased digitisation of local businesses.

The Company was pleased to see opportunities for Merchant Services growth returning in markets where COVID-19 has been effectively contained by authorities. While there is still substantial uncertainty with respect to the timing of when Rewardle can effectively focus on network growth, the Company is confident that future growth can be managed without significantly increasing operating costs.

During the quarter the Company successfully executed against each component of the strategy and moving forward management will continue to balance short term cash flow and long term growth opportunities.

Working capital management

As previously announced, to support the Company's working capital requirements as the COVID-19 response strategy is implemented, Executive Chairman, Mr Ruwan Weerasooriyas extended the unsecured, interest free, working capital loan of up to \$500,000 to \$1m during the quarter. The loan is repayable at the Company's discretion when it has capacity.

While the Company continues to operate in challenging conditions, management is confident that it will have sufficient working capital to meet its budget objectives for FY21 and beyond based upon:

- Ongoing reduction and management of operating costs
- Generation of technology licensing and professional services income
- Access to State and Federal Government COVID-19 support packages
- Development of corporate partnership opportunities
- Receipt of FY20 R&D rebate
- Access to R&D financing for FY21 activities
- Access to Director loan
- Improvements trading conditions and sales performance across Merchant Services and Brand Partnership revenue streams

The Board is regularly reviewing operating budgets and strategy taking into consideration a variety of commercial and corporate scenarios and opportunities.

This ASX announcement has been approved for release by Executive Chairman, Ruwan Weerasooriya.

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About Rewardle Holdings Limited

Rewardle connects millions of Members with thousands of local businesses across Australia.

The Rewardle Platform is a marketing and payments platform that combines membership, points, rewards, payments and social media into a single cloud based platform powered by Big Data analysis.

Rewardle is positioned to be a leading player as the worlds of social media, marketing, mobile and payments converge to transform how we connect, share and transact.

The Company is led by an experienced entrepreneurial team with a successful background in Internet and media businesses.

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