

MARCH QUARTERLY ACTIVITIES UPDATE

STRONG GROWTH CONTINUES

Key Highlights and Summary



Quarterly cash receipts from customers of \$4.57m up 70% from \$2.69m in previous quarter

Strong growth in cash receipts driving increased positive cash flow from operations and growth in total available funding from \$748k to \$1,106k, an increase \$358k or 48%.



Continuing to use positive cash flow for disciplined investments in associated growth initiatives

Continuing to build a VC style portfolio of high growth equity in partner businesses and investing in growth initiatives to create a compounding growth flywheel effect for the business moving forward.



Strategy build a compounding growth flywheel continues to gather momentum

Strong progress developing growth opportunities from the current cost base by leveraging the Company's existing IP, network and resources will drive growth during FY23 and beyond.

Rewardle Holdings Limited (ASX:RXH) ("**Rewardle**" or the "**Company**") provides the following update with respect to its March quarterly activities and execution of its growth strategy.

As anticipated in the December Quarterly Activities update, the Company has maintained its positive momentum and continued to grow cash receipts from customers and positive cash flow from operations in Q3 FY23.

As per the Company's growth strategy, cash flow generated by leveraging its operations, resources and capabilities are being invested into growth initiatives to create a compounding growth flywheel effect for the business moving forward.

In addition to developing its VC style portfolio of transactional, licensing and equity positions in complementary partner businesses, the Company progressed its plans to grow its merchant network and launch new membership features in the Rewardle app that will support the generation of additional, high margin revenue.

The Company's growth strategy is well on track and the Company is well positioned for growth during FY23 and beyond.

Rewardle's Founder and Executive Chairman, Ruwan Weerasooriya, said;

"I'm pleased to report that our plan to operate and grow without the need for additional funding is progressing well and yielding positive results. The March quarter was our sixth consecutive quarter of generating positive cash flow from operations, and our strongest quarterly performance yet."

"As per our strategy, we're continuing to invest cash flow generated by leveraging our operations, resources and capabilities into growth initiatives to create a compounding growth flywheel for the business moving forward."

"As per our last quarterly update, we're continuing to use our improving cash flow to pay down liabilities and strengthen our financial position for future investments and acquisitions."

"Rewardle is experiencing an exciting phase, and I welcome interested investors to reach out to me via email or mobile should they have any inquiries regarding our strategy, progress, and prospects."

Continuing to successfully execute growth strategy

As outlined in the Investor Presentation released on 22nd December 2021, the Company is driving growth by developing opportunities that leverage its operations, resources and capabilities.

Slide 7 of the presentation provides an overview of the Company's key growth areas and has been included below for reference. The full presentation is available to view at: www.Rewardle.com/ASX/InvestorPresentationDec2021.



Summary of key initiatives driving growth

During Q3 FY23 the Company has continued to leverage and exploit its high margin, lean and efficient operations to efficiently drive strong growth without the need for additional funding. Positive cash flow from operations has been and will continue to be invested into growth initiatives to create a compounding flywheel effect for the business moving forward.

Rewardle is a software business undertaking the development, operation and commercialisation of its proprietary Business to Business to Consumer (B2B2C) software platform (Rewardle Platform). The Company's strategy is to leveraging its operational capabilities, expertise and IP to develop new markets and opportunities.

The Company's growth strategy includes building a VC style portfolio of transactional, licensing and equity positions in partner businesses by leveraging the Company's operational team, platform and network of merchants and members.

Rewardle's growth strategy is well on track and a summary of the Company's current key growth initiatives that will drive growth during FY23 and beyond is provided below:

Growth Services

As part of the Company's strategy to commercialise its proprietary Business to Business to Consumer (B2B2C) software platform (Rewardle Platform), it has developed a Commercial Partnership Strategy which leverages the Company's resources, capabilities and IP to generate professional services income and licensing fees from strategic partners.

Summary of key initiatives driving growth ... (cont.)

In response to the impact of the COVID-19 pandemic, the Company determined that the most prudent path forward was to leverage the Company's infrastructure and expertise to generate fee for service income and the Commercial Partnership Strategy was extended to existing Merchant partners, new Commercial Partners and other organisations that were interested in accessing the Company's expertise and resources in the following areas:

- Business strategy and consulting
- Software Licensing and/or development
- Telephone and field sales
- 1st tier customer service
- Marketing/advertising
- Corporate strategy consulting

The approach of leveraging the Company's experience, capabilities and IP across its business operations, user network and technology platform creates a unique growth services proposition for partners and clients that the Company has termed "Growth Services".

In addition to generating short term revenue from strategic partners and/or clients by leveraging Rewardle's proprietary technology, data, operations and corporate infrastructure, the Company applies a "Platform" mindset to Growth Services and seeks to work with partners and clients that align with its long-term strategic objectives.

Growth Services support the Company's strategy to develop a VC style portfolio of transactional, licensing and equity positions in complementary partner businesses, creating a compounding growth flywheel for the business moving forward.

To date, Rewardle's equity and licensing portfolio consists of Beanhunter (Coffee community/e-Commerce), Pepper Leaf (Meal Kit delivery/e-Commerce), SplitPay (BNPL) and Cardiac Rhythm Diagnostics (Cardiac MedTech).

While the Company is constantly in discussion with a pipeline of Growth Services opportunities, it is in late-stage discussions with a prospective partner/client to develop a digital service in the Health & Fitness sector, and another seeking build an AI solution in the grocery sector.

In addition, Mr David Niall, a Non-Executive Director of the Company, has requested services to support the development of a service for independent wine producers. Having undertaken preliminary scoping and established that the project aligns with its strategy, the Company is establishing a framework to manage any potential conflicts of interest with Mr Niall prior to progressing further.

The Company will provide updates with respect to the progress of individual opportunities as appropriate, taking into consideration the nature and potential impact on the business.

Rewardle Local Business and Membership Platform:

The Company is shifting its focus and resources back to the growth of merchant services (SaaS) revenue and the launch of new membership features in the Rewardle app that support the generation of additional, high margin revenue.

Learnings from use of free trials to launch and build scale have been applied to develop a new sales process, product proposition and pricing strategy that results in a cash flow positive sales model for Rewardle's membership, points, rewards and payments solution for local businesses.

Merchant services business development will leverage the Company's high quality, proprietary data base of over 200,000 local business listings has been amassed through a process of data collection, cleansing and enrichment during 10+ years of operation. In addition, the Company's experience from onboarding 8,000+ merchants has been applied to develop new set up and support procedures to ensure merchant success, reduce churn and increase customer lifetime value.

Summary of key initiatives driving growth ... (cont.)

As resources are allocated to Merchant Network business development activity in coming quarters, the Company is confident that the cash flow contribution from merchant services will grow strongly.

In addition to increasing business development resources to grow merchant services (SaaS) revenue, software development resources have been committed to extending the capabilities of the Rewardle Platform, building and enhancing features that align with the acceleration of digital adoption by local businesses and their customers. The extended Platform capabilities underpin a variety of new membership features and opportunities to develop new, high margin, digital revenue streams.

The Company will be progressively launching new features in the Rewardle mobile app that can generate additional, high margin revenue across key growth opportunities such as local media and advertising, mobile ordering and payments, enhanced points and rewards and Platform integrations.

The Company will provide updates with respect to the progress of its initiatives to grow merchant services revenue and to generate new, high margin digital income streams as appropriate.

Cardiac Rhythm Diagnostics:

As per the December quarter, the primary Growth Services partner focus during the March quarter has remained Cardiac Rhythm Diagnostics (Cardiac MedTech).

Cardiac Rhythm Diagnostics is a fast-growing MedTech business that is developing a disruptive, technology enabled cardiac diagnostics service for local GPs.

In addition to providing local GP's with a high-quality cardiac diagnostic service that generates robust cash flow, Cardiac Rhythm Diagnostics' testing service generates a stream of labelled data that can be used in machine learning (ML) and artificial intelligence (AI) development.

Cardiac Rhythm Diagnostics is leveraging the workflow and data generated from its innovative diagnostic service to develop an AI powered software solution for ECG analysis and diagnosis of cardiac arrhythmia. Cardiac Rhythm Diagnostics is incorporating ML into the existing analysis and reporting workflows such that the diagnostic software and underlying AI algorithms are dynamic and incrementally improved via a process of reinforcement learning (RL).

The AI based software solution being developed by Cardiac Rhythm Diagnostics has the potential to be faster, cheaper and more accurate than the existing, manual practices and will have broad, global application across a range of use cases to enhance patient care and health outcomes, helping to prevent stroke, death, and disability.

As per the its strategy to develop a VC style portfolio of transactional, licensing and equity positions in complementary partner businesses, the Company has established an arrangement to convert its licensing and professional services fees into shares in Cardiac Rhythm Diagnostics. The fee for equity conversion arrangement provides a mechanism for the Company to accelerate the growth and development of Cardiac Rhythm Diagnostics by providing additional resources while allowing the Company to share in the upside it is helping to create.

The Company has discretion to convert some or all fees into Cardiac Rhythm Diagnostics shares rather than a fixed obligation. This arrangement provides the Company with valuable flexibility to balance its operating cash flow and broader growth strategy while building an equity position in Cardiac Rhythm Diagnostics over time.

The Company has recently begun leveraging its corporate experience and networks to assist Cardiac Rhythm Diagnostics with the development and execution of its corporate strategy. Based on its direct operational role and deep understanding of the business, the Company believes that Cardiac Rhythm Diagnostics is approaching several key milestones which may result in a substantial increase the value of Cardiac Rhythm Diagnostics shares.

As such, the Company is committed to maximising the conversion of service fees into equity to establish a substantial, minority interest in Cardiac Rhythm Diagnostics at the current valuation, increasing its exposure to potential upside as Cardiac Rhythm Diagnostic achieves its key milestones. During the March quarter the Company converted \$2,200,000 of fees to equity in Cardiac Rhythm Diagnostics, bringing its total shareholding to 29.35%.

The Company believes Cardiac Rhythm Diagnostics' unique combination of fast-growing cash flow generated by its diagnostic services, along with its promising AI-based software development with global application, has the potential to deliver the Company a return several times greater than its investment.

Summary of key initiatives driving growth ... (cont.)

In addition to potentially delivering a significant return on investment, Cardiac Rhythm Diagnostics represents an attractive entry into the fast growing, digital health sector through which the Company can explore further opportunities to leverage its IP, resources and experience into the digital health sector.

The Company will provide updates with respect to the growth and development of Cardiac Rhythm Diagnostics as appropriate.

Beanhunter:

Towards the end of the March quarter the Company progressed its strategic partnership established in August 2019 with Beanhunter, Australia's leading online community for independent cafes and coffee lovers. The ASX announcement including an overview of the partnership can be viewed at: www.rewardle.com/ASXrelease/beanhunter.

While the COVID-19 pandemic disrupted aspects of the partnership, the parties have successfully transitioned Beanhunter's day to day operating responsibilities to Rewardle's team and Beanhunter's proprietary content has been integrated into the Rewardle Platform.

As per the Rewardle's strategy to leverage its operations and resources to drive growth, the Company elected to exercise its Options to subscribe for shares in Beanhunter and invested \$178k to capitalise Beanhunter for growth and established a 51% shareholding. In keeping with the Company's strategy to operate and grow without the need for additional funding, the transaction was funded from operating cash flow and the Company will consolidate Beanhunter's recurring revenue of ~\$200,000 PA moving forward.

As Beanhunter is broadly operating at a breakeven, the Company's first order of business is identifying opportunities to improve efficiency, reduce costs and improve margins. Once Beanhunter is consistently generating a modest profit, the Company envisages it will start to focus on further integration with the Rewardle Platform, product development and other growth opportunities.

The investment in Beanhunter aligns with the Company focus shifting to the growth of its merchant services revenue and the launch of new membership features in the Rewardle app that accelerate the generation of additional, high margin revenue.

The cafe sector is a key merchant category for Rewardle and the Company will leverage Beanhunter's content and services to support its post-pandemic re-engagement with the sector as it seeks to rebuild the Company's merchant network and associated revenue.

The Company will provide updates with respect to the progress of its initiatives to integrate Beanhunter into the Rewardle Platform and to develop and grow the business as appropriate.

PepperLeaf:

During the March quarter, the Company continued to progress its strategic partnership with Pepper Leaf, a profitable, Australian owned and operated subscription-based meal kit delivery service based in Melbourne. The business currently services customers in Metropolitan and regional centers of Victoria, New South Wales, Queensland, Australian Capital Territory and South Australia, with the capability to extend to other capital cities and regional centers.

Pepper Leaf has built a reputation as a high quality, locally owned and operated meal kit service provider. By applying a disciplined approach to customer acquisition, Pepper Leaf can invest in delivering the highest quality product and attentive customer service to their subscribers.

Having avoided engaging in the meal kit marketing arms race, Pepper Leaf has slowly but surely built a loyal, engaged customer base and established a profitable operating business.

Under the strategic partnership established with Pepper Leaf in June 2019, Rewardle is leveraging its resources to assist in growing Pepper Leaf's business. Rewardle has been issued Options to acquire Pepper Leaf shares @ \$1.25m valuation within 4 yrs, giving Rewardle a 54% shareholding in Pepper Leaf on a fully diluted basis.

Pepper Leaf has been growing strongly and is ripe for scaling. The already profitable business will enjoy a substantial operating advantage by leveraging Rewardle's operational capabilities, expertise and IP.

During the quarter, the Company worked with Pepper Leaf to test the extension of Rewardle Platform's capabilities to support transactional based rewards. While still in beta-testing, the extended Platform capability allows Pepper Leaf to acquire customers without incurring marketing costs. The Platform extension being developed with Pepper Leaf will underpin a variety of new membership features and support the Company developing high margin, digital revenue opportunities with other partners and clients.

Summary of key initiatives driving growth ... (cont.)

In addition, the strategic partnership with Pepper Leaf was a contributing factor in the Company's decision to acquire e-commerce grocery service YourGrocer post the end of the March quarter.

While YourGrocer has ceased operations, the assets and ongoing operating obligations of YourGrocer align with Rewardle's growth strategy, particularly the development of its strategic partnership with Pepper Leaf. The Company plans on integrating YourGrocer's grocery marketplace and delivery operations into the Rewardle Platform and leveraging its operations into its partnership with Pepper Leaf.

The Company will provide further updates with respect to the progress of its partnership with Pepper Leaf and initiatives to integrate with YourGrocer and the Rewardle Platform as appropriate.

YourGrocer:

Subsequent to Q3 FY23 Rewardle acquired 100% of the shares of Your Grocer Pty Ltd ("YourGrocer") for ~\$3,000, taking on its assets (\$301k), liabilities (\$218k) and ongoing operational obligations.

YourGrocer, which ceased operations and commenced an orderly wind up of its business in late December 2022, is an e-commerce grocery retailer that allowed customers in metropolitan Melbourne to order from a marketplace of independent local grocers, fruiterers, butchers and fishmongers.

YourGrocer's local marketplace model allowed customers to order grocery items from multiple local shops, markets, farms and producers that was consolidated into a single order and delivered by the Company's fleet of refrigerated vans.

For the past decade YourGrocer has facilitated online ordering and delivery of groceries from a marketplace of around 85 independent grocers, fruiterers, butchers and fishmongers for thousands of customers across metropolitan Melbourne.

YourGrocer has developed proprietary technology and operating know how to solve the complex challenges of large-scale grocery delivery that enable its team and partners to work smoothly, with minimal overheads while delivering industry-leading levels of customer satisfaction.

While YourGrocer has ceased operations, the assets and ongoing operating obligations of YourGrocer align with Rewardle's growth strategy, particularly the development of its strategic partnership with Pepper Leaf, a Melbourne based meal kit delivery service.

The Company believes that the combination of Rewardle and YourGrocer/PepperLeaf can create an innovative, local community powered rival to the large, corporate grocery chains.

In keeping with the Company's strategy to operate and grow without the need for additional funding, the transaction was funded from operating cash flow.

Based on the Company's discussions and investigations to date, the costs associated with the transaction are not expected to be material and the Company will provide updates with respect to the progress of relaunching and integrating YourGrocer as appropriate.

Multi-dimensional strategy to deliver consistent growth into the future

As outlined above, the Company's Strategy to develop a range of growth opportunities from the current cost base by leveraging the Company's existing IP, network and resources is on track to deliver strong growth in FY23 and beyond.

The business is becoming more robust as its diverse range of revenue streams and opportunities are developed and as a technology platform based business with largely fixed costs, the Company has the potential to generate highly profitable additional revenue by leveraging its capabilities and substantial network of local businesses and members that it has already been amassed.

As the Company emerges from disruption of the COVID-19 pandemic to face macroeconomic headwinds, management is confident that its multi-dimensional growth strategy and agile operating structure can be adapted as required so the business can operate and grow without requiring additional capital.

Quarterly Cash Flow commentary

Q3 FY23 is the sixth consecutive quarter of positive cash flow from operating activities, highlighting the Company's successful execution of its strategy to drive growth through operating leverage without the need for additional funding.

As per the previous quarter, the sharp increase in cash receipts and positive cash flow from operations demonstrates the potency of the Company's high operating leverage and illustrates how rapidly the Company can unlock value as it continues to execute its strategy.

Cash receipts for Q3 FY23 were \$4,574k, an increase of \$1,884k or 70% from \$2,690k the previous quarter. A summary of the Q3 FY23 Cash receipts and outflows along with management commentary is provided below:

- Cash receipts from customers were \$4,574k, an increase of \$1,884k or 70% from \$2,690k for the previous quarter. The increase was driven by growth in software licensing and services fees, timing of payments associated with Growth Services projects and transactions associated with testing new capabilities of the Rewardle Platform. The underlying trend of growing cash receipts from customers is expected to continue during FY23 and beyond.
- During Q3 FY23 there were no Government grants and tax incentives received, a decrease of \$402k from the previous quarter when the Company received its FY22 R&D tax rebate.

Outgoing cash payments for Q3 FY23 were \$1,814k, an increase of \$302k or 20% from \$1,512k for the previous quarter. A summary of this movement and management commentary is provided below:

- Product manufacturing and operating costs were \$1,342k, an increase of \$179k or 15% from \$1,163k during the prior quarter. The increase was due to a combination of the Company investing in contract resources to support growth initiatives, timing of payments associated with regular, recurring operating expenses, and variable costs associated with testing of new transactional reward capabilities of the Rewardle Platform that do not represent changes in underlying operating costs.
- Staff costs were \$362k, an increase of \$109k or 43% from \$253k during the previous quarter. The variance is due to a combination of the Company continuing to pay down accrued liabilities relating to staff costs and additional staffing to support growth initiatives resulting in a moderate increase in ongoing staffing costs.
- Administration costs were \$110k, an increase of \$23k or 26% from \$87k during the previous quarter. This is due to timing of payments and paying down accrued liabilities relating to administration costs and does not represent an underlying change in operating costs.
- During Q3 FY23 no Interest and other costs of finance paid, a decrease of \$13k from the previous quarter when interest relating to repayment of the Company's FY22 R&D finance was paid upon receipt of the FY22 R&D rebate.
- Payments for equity investments was \$2,378k compared to \$900k in the previous quarter and relate to investments by the Company in Cardiac Rhythm Diagnostics Pty Ltd and Beanhunter Pty Ltd:
 - \$2,200k relates to the arrangement with Cardiac Rhythm Diagnostics for the Company to convert fees into equity by acquiring shares. The increased investment compared to the previous quarter was due to the Company providing additional resources to Cardiac Rhythm Diagnostics to accelerate its growth and aggressively converting fees into high growth equity.
 - \$178k relates to the Company electing to exercise its Options to subscribe for shares in Beanhunter, investing \$178k to capitalise Beanhunter for growth and established a 51% shareholding.
- During Q3 FY23 there was no Repayment of borrowings, a decrease of \$289k from the previous quarter which related to repayment of financing associated with the Company's FY22 R&D activity from Radium Capital and was repaid upon receipt of the FY22 R&D rebate.
- During Q3 FY23 there were related party payments of \$104k, being payment of accrued Directors fees to Mr. Rodney House (\$20k) and Mr. Ruwan Weerasooriya (\$84k). While the Company intends to continue paying down accrued Directors fees from cash flow as part of its broader strategy to reduce liabilities and strengthen the Company's financial position, the Directors remain supportive and willing to pause payment of fees to preserve cash for investment in growth opportunities as required.

While fluctuations in operating cash flow are to be expected, particularly in the current environment of economic uncertainty, the Company is pleased with the progress of its strategy and remains confident that the business can operate and grow without the need for additional funding.

Working capital management

The Company is successfully executing its strategy to drive growth through operating leverage and has achieved its fifth consecutive quarter of positive cash flow from operating activities. Total available funding from \$748k to \$1,106k, an increase \$358k or 48% compared to the previous quarter.

The Company intends to continue balancing its operating cash flow to invest in growth opportunities while paying down liabilities. As outlined in the Quarterly Cash Flow Commentary, during the March quarter the Company took advantage of its improving cash flow to continue paying down liabilities including accrued Directors fees.

While the Company intends to continue paying down accrued Directors fees from cash flow as part of its broader strategy to reduce liabilities and strengthen the Company's financial position, the Directors remain supportive and willing to pause payment of fees to preserve cash for investment in growth opportunities as required.

While fluctuations in operating cash flow are to be expected, particularly in the current environment of economic uncertainty, the Company is pleased with the progress of its strategy and remains confident that the business can operate and grow without the need for additional funding.

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

About Rewardle Holdings Limited

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.

Rewardle is a software business undertaking the development, operation and commercialisation of its proprietary Business to Business to Consumer (B2B2C) software platform (Rewardle Platform).

The Rewardle Platform connects millions of members with thousands of local businesses across Australia. It 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.

As part of its long term strategy, the Company is seeking to leveraging its operational capabilities, expertise and IP to develop new markets and opportunities.

In addition to operating the Rewardle Platform, the Company is building a portfolio of transactional, licensing and equity positions in partner businesses by leveraging the Company's operational team, platform and network of merchants and members.

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

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