

JUNE QUARTERLY ACTIVITIES UPDATE

CARRYING POSITIVE MOMENTUM INTO FY24

Key Highlights and Summary



Consistent quarterly cash receipts from customers and positive cash flow from operations

Cash receipts from customers of \$4.5m generated \$2.4m in positive cash flow from operations which was invested into initiatives to drive future growth.



Acquisition of YourGrocer and partnership established with Timely Coffee

YourGrocer has been successfully relaunched and will be integrated into the Rewardle Platform, while the partnership with Timely Coffee significantly enhances the Company's investment in Beanhunter.



Growth flywheel strategy on track and gathering momentum

Strategy to develop a compounding growth flywheel by leveraging the Company's existing IP, network and resources is on track and the Company is well positioned for future growth.

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

As anticipated in the March Quarterly Activities update, the Company has maintained its positive momentum, consolidating the strong growth in cash receipts from customers and positive cash flow from operations over the past 18 months with another strong quarter to finish FY23.

Key highlights during the quarter were the acquisition of YourGrocer, a pioneer of online grocery ordering and delivery in Australia, and establishing a wholesale supply partnership with Timely Coffee which significantly enhances the Company's investment in Beanhunter.

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.

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

“We're continuing to execute our strategy 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.”

“Our recent acquisition of YourGrocer, a pioneering online grocery ordering and delivery service and the wholesale supply agreement we established with Timely Coffee will diversify our revenue and support future growth.”

“FY23 was been a transformational year for the Company and we're entering FY24 with plenty of positive momentum. As always, I welcome interested investors to reach out to me via email or mobile should they have any inquiries regarding our strategy, progress, and prospects.”

Successfully executing growth strategy

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

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.

The Company's strategy is to leverage its operational capabilities, expertise and IP to develop new markets and opportunities without the need for additional funding.

A summary of the strategy is outlined in the Investor Presentation released on 22nd December 2021 and is available to view at: www.Rewardle.com/ASX/InvestorPresentationDec2021. Slide 7 of the presentation provides an overview of the Company's key growth areas and has been included below for reference.



KEY GROWTH AREAS

ASX | RXH

LEVERAGING OUR PLATFORM, NETWORK AND OPERATIONAL CAPABILITY

GROWTH

Multiple high growth opportunities

Rewardle's Business to Business to Consumer (B2B2C) technology platform business model offers multiple opportunities to generate highly profitable additional revenue and grow by leveraging existing operating resources and capabilities.

- Generate cash flow positive merchant sales**
New sales process, product offering & pricing transform merchant sales from negative to positive cash flow.
- Launch high margin, features and services**
Ongoing investment in platform features and functionality to launch new, high margin digital services for merchants & members.
- Explore geographic expansion opportunities**
The Rewardle Platform is a cloud/app based solution designed to operate globally with minimal, incremental operating costs.
- Create VC style portfolio of strategic partnerships**
Develop a portfolio of transactional, licensing and equity positions in complementary partner businesses to create VC style exposure.

LARGE, ESTABLISHED, NATIONAL NETWORK OF MERCHANTS AND MEMBERS

LOW OPERATING COST BASE, COMPLETE OPERATING CAPABILITY

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During Q4 FY23, the Company has continued to generate positive cash flow from operations which has been, and will continue to be, invested into growth initiatives to create a compounding growth flywheel effect for the business moving forward.

Highlights during the quarter were the acquisition of YourGrocer and establishing a wholesale coffee supply agreement with Timely Coffee. YourGrocer has been successfully relaunched and will be integrated into the Rewardle Platform, while the partnership with Timely Coffee significantly enhances the Company's investment in Beanhunter.

In addition, the Company has continued accelerating the growth of Cardiac Rhythm Diagnostics by providing additional resources and is sharing in the upside being created through the conversion of service fees into equity. During the June Quarter the Company converted \$3,193,000 of fees to equity in Cardiac Rhythm Diagnostics, increasing its total shareholding 10.39% from 29.35% at the end of the March Quarter to 39.74% on a fully diluted basis.

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.

Successfully executing growth strategy ... (cont.)

Acquisition of YourGrocer:

During Q4 FY23 Rewardle acquired 100% of the shares of Your Grocer Pty Ltd ("YourGrocer") for ~\$3,000, taking on its assets, liabilities 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.

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.

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. The Company will provide updates with respect to the progress of relaunching and integrating YourGrocer as appropriate.

Wholesale supply agreement with Timely Coffee :

Timely Coffee ("Timely"), based in Perth Western Australia, is an innovative coffee roaster, retailer and wholesaler, specialising in sourcing and roasting delicious and ethical coffee from around the world.

Timely is seeking to create a brand that is the market leader in the home coffee segment, capturing more attractive margins than a traditional wholesale coffee roasting operation in the process.

Timely has grown quickly since being founded in 2017, recently securing funding to accelerate its development via the Birchal equity crowd funding platform at a valuation of \$10m+.

The wholesale supply partnership with Rewardle supports Timely in scaling up by providing a consistent, underlying operational workflow and cash flow. In return, Rewardle has secured attractive wholesale coffee pricing based on Timely's variable production costs.

While the precise terms of the agreement between the parties are commercially sensitive and subject to confidentiality, a high level outline of the key terms is provided below.

- 3 year term.
- Rewardle's price for wholesale coffee will be based on Timely's variable production costs (ie. primarily green beans and labour).
- Rewardle will purchase a minimum volume of coffee over 3 years which equates to ~\$75,000 which will be funded from operational cash flow.
- Rewardle will progressively prepay its purchasing to support Timely's cash flow.
- The parties have agreed to collaborate to develop a more comprehensive strategic partnership.

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

Timely Coffee ... (cont.)

Rewardle is confident that it can comfortably meet its minimum commitments under the agreement and that the Company will enjoy significant upside from the wholesale coffee supply partnership as the volume of coffee purchased from Timely grows.

In the first instance, Rewardle will leverage the agreement to improve the unit economics of Beanhunter's coffee subscription service, increasing the value of its investment.

Beanhunter's coffee subscription service currently generates approximately \$200,000 PA in recurring revenue and operates with a wholesale to retail mark up of approximately 100%, resulting in a gross profit margin of approximately 50%. Based on the pricing Rewardle has secured with Timely, Beanhunter's wholesale to retail markup will increase to over 200%, resulting in its gross margin increasing by more than 50% to approximately 80%.

As outlined above, Rewardle's wholesale coffee supply agreement with Timely significantly enhances Beanhunter's coffee subscription model and the upside will grow over the multi-year term of the agreement as the subscription service scales up.

In addition, Rewardle has identified demand for quality coffee among YourGrocer's customers and plans on adding Timely Coffee to the YourGrocer marketplace during the relaunch of the grocery delivery service.

Furthermore, based on the discussions between the parties to establish the wholesale coffee supply agreement, the Company believes there is a strong opportunity to develop a "Growth Services" based partnership with Timely Coffee and the parties have committed to exploring the development of a more comprehensive strategic partnership. These discussions are early stage and incomplete and the Company will provide updates with respect to progress as appropriate.

Quarterly Cash Flow commentary

Q4 FY23 is the seventh 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.

Cash receipts for Q4 FY23 were \$4,495k, a decrease of \$79k or 2% from \$4,574k the previous quarter. A summary of the Q4 FY23 Cash receipts and outflows along with management commentary is provided below:

- Cash receipts from customers were \$4,495k, a decrease of \$79k or 2% from \$4,574k the previous quarter. The variation was primarily driven by timing of payments associated with Growth Services projects. The underlying trend of growing cash receipts from customers is expected to continue during FY24 and beyond.

Outgoing cash payments for Q4 FY23 were \$2,095k, an increase of \$281k or 15% from \$1,814k for the previous quarter. A summary of this movement and management commentary is provided below:

- Product manufacturing and operating costs were \$1,404k, an increase of \$62k or 5% from \$1,342k during the prior quarter. The increase was due to a combination of operating costs associated with the acquisition of YourGrocer, 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 \$494k, an increase of \$132k or 36% from \$362k during the previous quarter. The variance is primarily due once off redundancy payments associated with the acquisition of YourGrocer along with 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 \$171k, an increase of \$61k or 55% from \$110k during the previous quarter. The increase is primarily due once off costs associated with the acquisition of YourGrocer along with a combination of timing of payments and paying down accrued liabilities relating to administration costs that do not represent an underlying change in underlying operating costs.

Quarterly Cash Flow commentary ... (cont.)

- Interest and other costs of finance paid was \$26k, an increase of \$26k on the prior period when no Interest and other costs of finance were paid. These costs primarily relate to interest associated with financing of YourGrocer's delivery vehicle fleet and are expected to be an ongoing operational expense.
- Payments for property, plant and equipment was \$1k, a decrease of \$24k or 96% from \$24k during the previous quarter. These payments relate to investment in equipment to support the relaunch of YourGrocer.
- Payments for equity investments was \$3,182k compared to \$2,378k in the previous quarter. These payments relate to the following investments by the Company:
 - \$3,193k relates to the arrangement with Cardiac Rhythm Diagnostics for the Company to convert fees into equity. The increased investment compared to the previous quarter was due to the Company providing additional resources via the Growth Services arrangement to assist in accelerating growth and aggressively converting fees into high growth equity.
 - \$3k relates to the acquisition of 100% of YourGrocer Pty Ltd.
 - \$14k of cash acquired has been netted off the value of the investments.
- Repayment of borrowings was \$23k which related to repayment of financing associated one of Your Grocer's delivery vans which reached its end of term. The unencumbered vehicle has been retained as part of the Your Grocer delivery fleet.
- During Q4 FY23 there were related party payments of \$147k, being payment of accrued Directors fees to Mr. Rodney House (\$20k) and Mr. Ruwan Weerasooriya (\$127k). 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 as the Company integrates its acquisitions, investments and partnerships during 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 seventh consecutive quarter of positive cash flow from operating activities. Total available funding of \$300k decreased from \$1,106k at the end of the Q3, primarily due to Company investing in the relaunch of YourGrocer and timing of payments associated with Growth Services projects.

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, the Company took advantage of its improving cash flow to continue paying down liabilities including accrued Directors fees during the quarter.

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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