

SEPTEMBER QUARTERLY ACTIVITIES UPDATE

POSITIVE MOMENTUM CONTINUES IN FY24

Key Highlights and Summary



~\$1m increase in cash for future activities from ongoing positive cash flow from operations

Cash receipts from customers of \$4.9m generated \$2.6m in positive cash flow from operations which was invested into growth initiatives and increased cash available for future operating activities from \$300k to ~\$1.3m.



Micro-investing acquisition to extend the Rewardle Platform's capability

During the quarter, Rewardle entered into an agreement and subsequently completed the acquisition of distribution rights for the Upstreet Fund which allows the Company to develop micro-investing features for members.



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 September quarterly activities and execution of its growth strategy.

As anticipated in the June 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 21 months. The strong quarter to start FY24 has increased cash available for future operating activities by ~\$1m.

A key highlight during the quarter was the execution of an agreement to acquire the distribution rights to the Upstreet Fund which allows the Company to develop micro-investing features for members.

During the September quarter the Company has continued to invest in developing its Merchant services offering with Beta-testing of new merchant products and services commencing during the December quarter.

As per the Company's growth strategy, cash flow generated by leveraging its operations, resources and capabilities is 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."

"Using the Upstreet fund to launch micro-investing features and functionality as part of the Rewardle Platform is an exciting opportunity to build engagement and add value for our members."

"Embedding micro-investing capability into our mobile app aligns with our strategy of developing new membership features that can generate high-margin digital-revenue streams from our large, existing app membership."

"During the quarter we started to prepare to return resources to growing our merchant services revenue. This will support the launch of new features in the Rewardle app such as micro-investing that can generate additional; high-margin revenue."

"We've entered FY24 with plenty of positive momentum 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."

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

**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 Q1 FY24, 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.

A key highlight during the quarter was entering an agreement to acquire the distribution rights for the Upstreet fund which extends the Rewardle Platform's capability to include micro-investing. The transaction is a low risk, high reward approach to building micro-investment features and functionality that can generate high-margin, digital-revenue streams from Rewardle's large, existing app membership.

During the September quarter, Cardiac Rhythm Diagnostics was offered, and accepted, funding from its major shareholder at an increased valuation of \$35m (from \$15m previously). The new valuation reflects its substantial growth and development and has been supported by an updated independent valuation. The \$35m valuation is the basis for Rewardle's fee to equity conversion during the quarter and in the future as per the terms announced on 5th April 2022.

During the September quarter the Company converted \$2,100,000 of fees to equity in Cardiac Rhythm Diagnostics, increasing its total shareholding 3.41% from 39.74% at the end of the Sept Quarter to 43.15%.

While the Company faces a number of 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.

REWARDLE HOLDINGS LIMITED (ACN 168 751 746), SUITE 70, LEVEL 4, 80 MARKET ST, SOUTH MELBOURNE VIC 3205

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Successfully executing growth strategy ... (cont.)

Acquisition of Upstreet Fund - Background and Opportunity Summary

During Q1 FY24 Rewardle entered into a binding Term Sheet with Cache Investments Ltd ("Cache") to acquire the distribution rights for the Upstreet Fund (**Fund**). Following a due diligence period, the acquisition was completed in Q2 FY24.

The Fund was established for Upstreet (**Upstreet**), an Australian fintech founded in 2019 out of the Antler venture capital accelerator program. Upstreet is the promoter/distributor of the Fund and Cache is the manager/administrator of the Fund.

Upstreet's initial concept was to reward shoppers with fractional shares in the Australian and US stocks when buying everyday items; in a similar manner to cash back apps. More recently, Upstreet pivoted its strategy to focus on offering its fractional equity based platform to companies as a modern version of traditional equity based staff rewards and recognition programs.

Having raised ~\$5m to launch and operate over the past 4 years, Upstreet recently announced that it was winding down its business and issued wind up instructions to Cache who secured the exclusive rights to appoint a new distributor/promoter to the Fund. Cache subsequently entered into a binding Term Sheet with the Company.

While Upstreet was ultimately unsuccessful, the Company believes it is uniquely placed to leverage Upstreet's learnings, micro-investing platform infrastructure and thousands of investor accounts that have been established.

For example, an Upstreet early partner was meal kit retailer Marley Spoon (ASX:MMM). As reported in the AFR, Upstreet users were offered \$45 worth of fractional equities as a sign-up bonus, as well as 2 per cent of meal kit value purchased from Marley Spoon being rebated back to the customer in Marley Spoon shares. The learnings and insight with respect to the impact of equity ownership on customer lifetime are relevant to the Company's partnership with rival meal kit service provider Pepper Leaf, and more broadly, the Company's recent acquisition and relaunch of Your Grocer, an online grocery marketplace and delivery service.

Acquiring the distribution rights for the Fund aligns the Company's strategy to leverage its operational capabilities, expertise and IP to expand into new markets and opportunities. It substantially reduces the cost and time associated with extending the Rewardle Platform's capabilities to include micro-investing features that can be leveraged across the substantial membership base that the Company has amassed, to generate new, high-margin digital-revenue streams.

Key terms of the transaction to acquire distribution rights for the Fund are as follows:

- RXH/Rewardle will rebrand the Fund and convert it into a new offering (that may be similar or different to Upstreet's offering).
- RXH/Rewardle will use reasonable endeavours to re-seed the Fund and will allow all unitholders to redeem their investment as soon as reasonably practicable. Any investment option that cannot be re-seeded will be shut down, allowing unitholders to redeem their investment.
- This agreement does not include any technology or services from Upstreet (such as Upstreet App or backend technology), it is purely related to the distribution rights for the Fund (including accountholders, Funds Under Management etc).
- RXH/Rewardle will pay Cache an amount of \$30k which will be paid to Upstreet to acquire the distribution rights for the Fund.
- RXH/Rewardle will pay Cache \$15k per month (plus GST) under a Platform Agreement.

The purchase of the distribution rights (\$30,000 once off) and the the ongoing operating costs (~\$15k/month) to Cache will be funded from Rewardle's operating cash flow, with other operational resources required being leveraged from Rewardle's broader operations and existing cost base.

The Company will provide updates with respect to the integration of micro-investing features into Rewardle Platform and associated commercial progress as appropriate.

Quarterly Cash Flow commentary

Q1 FY24 is the eighth 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 Q1 FY24 were \$4,917k, an increase of \$422k or 9% from \$4,495k the previous quarter. A summary of the Q1 FY24 Cash receipts and outflows along with management commentary is provided below:

- Cash receipts from customers were \$4,917k, an increase of 442k or 9% from \$4,495k the previous quarter. The variation was primarily driven by timing of payments associated with Growth Services projects.

Outgoing cash payments for Q1 FY24 were \$2,324, an increase of \$229k or 11% from \$2,095k for the previous quarter. A summary of this movement and management commentary is provided below:

- Product manufacturing and operating costs were \$1,708 an increase of \$304k or 22% from \$1,404k 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 \$393k, a decrease of \$101k or 20% from \$494k during the previous quarter. The variance is primarily due once off redundancy payments associated with the acquisition of YourGrocer in Q4 FY23. The Company is continuing to pay down accrued liabilities relating to staff costs and additional staffing to support growth initiatives resulting in a moderate increase in ongoing, underlying staffing costs.
- Administration costs were \$220k, an increase of \$49k or 29% from \$171k during the previous quarter. The increase is primarily due to one off costs associated with recent acquisitions 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.
- Interest and other costs of finance paid was \$3k, a decrease of \$23k from \$26k during the previous period. These costs primarily relate to interest associated with financing of YourGrocer's delivery vehicle fleet and are expected to be an ongoing operational expense.
- There were no payments for property, plant and equipment compared to \$1k during the previous quarter that was related to investment in equipment to support the relaunch of YourGrocer.
- Payments for equity investments was \$2,115 compared to \$3,182k in the previous quarter. These payments relate to the following investments by the Company:
 - \$2,100k relates to the arrangement with Cardiac Rhythm Diagnostics for the Company to convert fees into equity. The decreased in investment compared to the previous quarter was due to the Company balancing its cashflow needs while continuing to aggressively converting fees into high growth equity.
 - \$15k relates to completing the acquisition of 100% of YourGrocer Pty Ltd.
- Proceeds from borrowings was \$550k compared to \$0 in the prior quarter. This relates to financing of the Company's FY23 R&D activity from Radium Capital to support the Company's working capital needs while it pursues growth initiatives. The Company is in the process of completing its FY23 R&D rebate claim which when processed will retire the Radium Capital loan and provide additional working capital to support the Company's execution of its growth strategy.
- Repayment of borrowings was \$34k 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 Q1 FY24 there were related party payments of \$112k, being payment of accrued Directors fees to Mr. Rodney House (\$5k) and Mr. Ruwan Weerasooriya (\$107k). 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 eighth consecutive quarter of positive cash flow from operating activities. Total available cash for future operating activities of \$1,256k increased from \$300k at the end of the previous quarter, primarily due to receipt of R&D financing 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.

For more information please contact:

Ruwan Weerasooriya (Founder and Managing Director)

Email: ruwan@rewardle.com

Mobile: 0412448769