

DECEMBER QUARTERLY ACTIVITIES UPDATE

SUCCESSFULLY EXECUTING GROWTH STRATEGY

Key Highlights and Summary



Positive cash flow from operations continues

Cash receipts from customers of \$6.6m generated \$4.7m in positive cash flow from operations which was invested into growth initiatives while maintaining cash and equivalents of ~\$1.2m at end of period.



Accelerating growth initiatives through strategic investments

Established a controlling shareholding in meal kit delivery service partner Pepper Leaf and acquired Sub11, a Fintech sector publisher and investor engagement consultancy start-up.



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 December quarterly activities and execution of its growth strategy.

As anticipated in the September 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 24 months.

In addition to the Company's ongoing growth services partnership with Cardiac Rhythm Diagnostics, key highlights during the quarter were the strategic investments in Pepper Leaf and Sub11 which will support future growth initiatives.

During the December quarter the Company continued investing in the development of its Merchant services offering. Initial Beta-testing of new merchant products and services commenced during the December quarter and preliminary customer feedback is being incorporated and further testing will be undertaken in the March 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;

“During the December quarter we have continued executing our growth strategy, investing the cash flow generated by leveraging our operations, resources and capabilities into growth initiatives to create a compounding growth flywheel for the business moving forward.”

“The investments we made in Pepper Leaf and Sub11 during the quarter have added valuable scale and operational resources that will help accelerate our growth initiatives. Our short-term focus is on bedding in our recent investments and launching our new products and services for local merchants.”

“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 Q2 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.

During the September quarter the Company converted \$4,620,000 of fees to equity in Cardiac Rhythm Diagnostics, increasing its total shareholding 5.85% from 43.15% at the end of the Sept Quarter to 49%. Under the terms of the Growth Services partnership, the Company is precluded from acquiring a controlling shareholding in Cardiac Rhythm Diagnostics and therefore is approaching the maximum limit of its fee to share conversion of 49.9%.

In addition to the Company's ongoing growth services partnership with Cardiac Rhythm Diagnostics, key highlights during the quarter were the strategic investments in Pepper Leaf and Sub11 which will support future growth initiatives.

In addition to Pepper Leaf and Sub11, the Company completed the acquisition of the promotional rights for the UpStreet fund for \$30k and undertook initial development work to integrate the micro-investing functionality into the Rewardle consumer app.

While acknowledging the challenging macroeconomic conditions, 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.)

Investment in Pepper Leaf - Background and Opportunity Summary

Supermarket's have demonstrated the strong consumer appeal of groceries, points and rewards and vertically integrating grocery services into its operations is part of the Company's strategy to commercialise the local membership, points, rewards and payments application of its proprietary Business to Business to Consumer (B2B2C) software platform.

In 2019 Rewardle and Pepper Leaf identified that Rewardle's proprietary technology, data, operations and corporate infrastructure can be leveraged to support scaling Pepper Leaf's existing operations and extending the business into other opportunities across the fast-changing grocery and food services industry.

For the past 4 years Rewardle has provided Pepper Leaf with a variety of operational resources on a fee for service basis including strategy and technical infrastructure consulting, business development, software development, customer support and creative design services.

In addition to the fee for service arrangement, the Company has integrated Pepper Leaf's meal kit service into the Rewardle Platform which has included beta-testing of new capabilities that support transactional based rewards which underpin a variety of new membership features and support the Company developing high-margin digital-revenue opportunities with other partners and brand partners.

The initial opportunities identified have subsequently been enhanced by the Company's acquisition and relaunch of Your Grocer which has expanded its operational infrastructure and capabilities with respect to grocery delivery. Pepper Leaf's meal kit service will be combined with Your Grocer's grocery marketplace and delivery operations to take advantage of efficiencies while creating a more comprehensive grocery delivery proposition that will be integrated into the Rewardle Platform and promoted to members.

Key terms of the Pepper Leaf transaction are as follows:

During the quarter, the Company progressed its long term, strategic partnership with Pepper Leaf; a profitable, Australian owned and operated subscription-based meal kit delivery service based in Melbourne.

Under the strategic partnership established with Pepper Leaf in June 2019, Rewardle was issued Options to subscribe for Pepper Leaf shares @ \$0.125/share, resulting in a 54% shareholding in Pepper Leaf. As per the terms announced on 18th June 2019, the Company subscribed for 12,000,000 shares at a price of \$0.125, investing a total of \$1.5m in cash to secure a 54% shareholding in Pepper Leaf Pty Ltd.

In keeping with the Company's strategy to operate and grow without the need for additional funding, the Company has made the investment with cash and concurrently entered into loan arrangements with Pepper Leaf and its founders to maintain working capital. Under the loan arrangements, Pepper Leaf has agreed to loan \$1.5m to Rewardle which has in turn agreed to provide a loan of \$110,000 to each of the two Pepper Leaf founders on the same commercial terms.

Key terms of the investment and loan arrangements are as follows:

- Rewardle has subscribed for 12,000,000 shares at \$0.125/share, investing a total of \$1,500,000 to establish a 54% shareholding in Pepper Leaf.
- Rewardle has entered into Pepper Leaf's Shareholder Agreement
- Pepper Leaf shareholders have agreed to amend the Pepper Leaf Shareholder Agreement to grant Rewardle two of four board seats, including the right to nominate the Chairperson who will have a casting vote in the event of a deadlock.
- Rewardle's Directors, Mr Ruwan Weerasooriya and Mr David Niall have been appointed as Directors of Pepper Leaf, joining the founders, Mr Simon Kahil and Mr John Cincotta.
- Pepper Leaf has agreed to loan \$1.5m to Rewardle on the following terms:
 - o May be drawn down and repaid as required during the 13 month term
 - o 10% interest to be calculated daily and accrued
 - o To be repaid no later than 30 November 2024
 - o Unsecured
- Rewardle has agreed to loan \$110,000 to each of the two Pepper Leaf founders on the following terms:
 - o May be drawn down and repaid as required during the 13 month term
 - o 10% interest to be calculated daily and accrued
 - o To be repaid no later than 30 November 2024
 - o Unsecured
- The Company will continue to provide Pepper Leaf with operational support services on the existing fee for service basis.

Successfully executing growth strategy ... (cont.)

Acquisition of Sub11 Pty Ltd - Background and Opportunity Summary

Sub11 produces and publishes content about Fintech sector and provides investor engagement and consulting services to a combination of private and ASX listed companies.

Sub11 was founded in early 2022 by Chris Titley following a successful career as a stockbroker for over a decade with Morgans in Brisbane. Chris is well known and respected across the start-up and corporate community and will continue in his role with Sub11 to manage the growth and development of the business as a wholly owned subsidiary of the Company.

Sub11's operations, particularly its investor engagement services, align with the micro-investing infrastructure and capability that the Company recently secured through the acquisition of the distribution/promotion rights for the UpStreet fund (Please see the following link for more information: www.rewardle.com/ASX/UpstreetAcquisition).

Through Sub11, the Company will develop a modern, mobile and social media centric solution for ASX listed companies to engage staff and investors by combining Sub11's investor engagement services with the Company's solution that is being developed to support ASX listed companies in managing equity based staff reward and recognition programs.

In addition, the Company plans on harnessing Sub11 and Chris Titley's extensive commercial networks to develop future partnership, investment and acquisition opportunities in keeping with its growth strategy.

Key terms of the Sub11 transaction are as follows:

- RXH to acquire 100% of Sub11 shares from Sub11 shareholder.
- RXH to issue 2,600,000 fully paid ordinary shares to Sub11 shareholder or nominees as consideration.
- RXH shares issued to Sub11 shareholder or nominees will be subject to 12 month escrow.
- Sub11 founder Chris Titley to continue in his current role with Sub11 Pty Ltd on mutually agreed terms.
- Sub11 net assets of ~\$75,000 as at 22 November 2023.

The acquisition consideration of Sub11 is based on its net assets of ~\$75,000 as at 22nd November 2023. The operating costs of Sub11 are relatively low and largely variable based on the level of consulting and production services being provided to clients. As such, the operates on a break-even basis and ongoing operating costs will be covered from operating cash flow.

Quarterly Cash Flow commentary

Q2 FY24 is the ninth 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 Q2 FY24 were \$6,610k, an increase of \$1,693k or 34% from \$4,917k the previous quarter. A summary of the Q2 FY24 Cash receipts and outflows along with management commentary is provided below:

- Cash receipts from customers were \$6,610k, an increase of 1,693k or 34% from \$4,917k the previous quarter. The variation was primarily driven by timing of payments associated with Growth Services projects and consolidation of cash receipts associated with Your Grocer and Pepper Leaf.

Outgoing cash payments for Q2 FY24 were \$1,876, a decrease of \$448k or 19% from \$2,324k for the previous quarter. A summary of this movement and management commentary is provided below:

- Product manufacturing and operating costs were \$967k, a decrease of \$741k or 43% from \$1,708k during the prior quarter. The decrease was due to a combination of the timing of costs associated with the Your Grocer acquisition in the prior period, timing of payments for contract resources to support growth initiatives, the Company shifting its use of contract resources to support growth initiatives to internal staff, 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 \$766k, an increase of \$373k or 95% from \$393k during the previous quarter. The increase is primarily due to the Company shifting its use of contract resources to support growth initiatives to internal resourcing and increased staffing costs associated with the Company's investments in Your Grocer, Pepper Leaf and Sub11. The Company is also continuing to pay down accrued liabilities relating to staff costs and the timing of these payments is reflected in the staff costs.

Quarterly Cash Flow commentary ... (cont.)

- Administration costs were \$134k, a decrease of \$86k or 39% from \$220k during the previous quarter. The decrease is primarily due to one off costs associated with recent acquisitions in the previous quarter along with a combination of timing of payments associated with administration costs.
- Interest and other costs of finance paid was \$9k, an increase of \$6k from \$3k 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 for the duration of the finance facilities associated with the vehicle fleet.
- Payments for businesses of \$97k relates to the net cash acquired from the investment (establishing a controlling shareholding) in Pepper Leaf and the 100% acquisition of Sub11.
- Payments for equity investments was \$4,650 compared to \$2,115k in the previous quarter. These payments relate to the following investments by the Company:
 - \$4,620k relates to the arrangement with Cardiac Rhythm Diagnostics for the Company to convert fees into equity. The increase in investment compared to the previous quarter was due to the Company more aggressively converting fees into high growth equity after balancing its cashflow needs in the previous quarter.
 - \$30k relates to completing the acquisition of the promotional rights for the UpStreet fund.
- Other cash flows from investing activities of \$144k relates to the Pepper Leaf founders drawing \$130k associated with the loans offered to them as part of the Company's investment and \$14k was deposited into the UpStreet fund as part of the reseeded process.
- Proceeds from consolidated borrowings was \$0 compared to \$550k in the prior quarter related to financing of the Company's FY23 R&D activity from Radium Capital. When processed, the Company's FY23 R&D rebate claim which 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 \$29k 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 Q2 FY24 there were related party payments of \$149k, being payment of accrued Directors fees to Mr. Ruwan Weerasooriya. 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.

Update on FY23 Financial Statements and working capital management

The Company was not in a position to lodge its accounts by 29th September 2023 which resulted in trading in the Company's listed securities being suspended and they will remain so until lodgement of accounts. The Company is continuing to work with its auditors to finalise its FY23 Annual Financial Statements which will be released as soon as possible.

In the meantime, the Company is continuing to successfully execute its and has achieved its eighth consecutive quarter of positive cash flow from operating activities. Cash receipts from customers of \$6.6m generated \$4.7m in positive cash flow from operations which was invested into growth initiatives while maintaining cash and equivalents of ~\$1.2m at end of period.

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. 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 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.

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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