

22 February 2019

Ms Penelope Reid
Adviser, Listings Compliance (Perth)
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

Dear Ms Reid

I refer to your letter dated 19 February 2019 and respond as follows.

Does RXH expect that it will continue to have negative operating cash flows for the time being and, if not, why not?

The Company expects to have negative operating cash flows for the time being, however those amounts are expected to be minor. It is anticipated that the negative operating cash flow will continue to decrease progressively due to the ongoing management focus on cost reduction and developing existing and new revenue streams.

Based on management assumptions, funds of \$319k on hand at the start of the current quarter are expected to be adequate to support the ongoing operations of the Company based on continued implementation of the previously stated strategy of reducing operating costs and further developing existing and new revenue streams.

The Company has demonstrated achievement of significant cost reductions while continuing growth in cash receipts.

During the December Quarter underlying operating costs were reduced by 50% QoQ from \$1,318,000 in the September Quarter to \$664,000 in the December Quarter. This underlying reduction in costs was achieved while increasing cash receipts from the Merchant Services and Brand Advertising income streams by 33% QoQ from \$221k in the September Quarter to \$295k in the December Quarter.

The estimated cash outflows for the next quarter of \$610,000 as detailed in the Appendix 4C quarterly report for the period ended 31 December 2018 was based on a conservative reduction based on the cash outflow incurred during the December Quarter.

At current run rate the underlying cash outflow is tracking to be in the range of \$480,000-520,000 which will improve the short term cash position of the Company and this underlying operating cost reduction will make cash flow break operations more achievable in the future.

Has RXH taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

On 16 November 2018, the Company announced a 1 for 1.4 accelerated pro-rata non-renounceable rights issue offer of up to 241,684,687 fully paid ordinary shares at \$0.005 each to raise \$1,208,423 (before costs).

Approximately 58,475,010 shortfall shares remain available for placement to raise an additional \$292,375.05 and the Company is exploring opportunities to place the shortfall shares.

While a number of parties have expressed interest in investing in the Company, at this stage, none of the discussions to date have progressed sufficiently for the Board to consider that placement of the shortfall shares prior to the expiry is likely.

In the instance of shortfall shares expiring, the Company may elect to continue discussion with these or other parties to issue shares under the placement capacity approved by Shareholders at the most recent Annual General Meeting.

The Company has also received approaches to recapitalise the business, some in combination with the addition of new complimentary businesses. These discussions are relatively early stage and exploratory in nature with preliminary term sheets still to be prepared.

The Company is aware of its continuous disclosure requirements and will provide updates if the nature of any discussions progresses to warranting such disclosure.

Does RXH expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

The Company expects to be able to continue its operations and meet its business objectives based on the following items as detailed in the December Quarterly Operational and Cashflow Update:

1. Recovery of outstanding debtors

As detailed in the December Quarterly Operational and Cashflow Update, the Company is owed \$109,090.91 + GST by Pioneer Credit (ASX:PNC) under a 3 year Marketing and Services Agreement that was executed on 13th October 2017.

The Company has previously received payments relating to a once off Exclusivity fee and Yr 1 Annual Marketing Fee under the Agreement.

While the commercial terms of the Agreement with Rewardle are well defined and the parties are obliged to adhere to them, Pioneer Credit has requested revisions to the Agreement to better leverage Rewardle's Network of Merchants and Members.

The Company has enjoyed a positive working relationship with Pioneer Credit and has elected to engage with the Pioneer Credit's management team to assess opportunities to restructure the current Agreement.

Given the Company's current cash position this is a material outstanding account and based on the reduced operational cash burn would provide additional runway for the Company to continue working towards cash flow break even.

The Company remains in discussion with Pioneer Credit with respect to resolving the outstanding payment and will provide further updates as information becomes available.

Given the material nature of the outstanding account, the Company has undertaken a level of contingency planning with respect to the potential impact of the timing and outcome of negotiations with Pioneer Credit. The Company will ensure these plans are fully disclosed if and when it is appropriate.

2. Placement of rights issue shortfall

As outlined above, the Company has the capacity to place approximately 58,475,010 shortfall shares from the most recent rights issue to raise an additional \$292,375.05.

A number of parties have expressed interest in investing in the Company and while the Board does not consider that these discussions are likely to result in placement prior to expiry of the shortfall shares the option is still being considered, albeit weighted appropriately, in management planning.

3. Demonstrated and ongoing reduction in the underlying operating costs of the business.

Organisational efficiency is continuing to improve with significant cost reductions implemented that will provide a stronger pathway into cashflow positive operations in future periods.

Operational cash outflows were down by 50% QoQ from \$1,318,000 in the September Quarter to \$664,000 in the December Quarter.

As detailed in the December Quarterly Operational and Cashflow Update, further opportunities for improvements and cost reductions have been identified and are being implemented across the business.

The underlying Operational cash outflow for the current quarter is tracking towards a QoQ reduction of 20-25% which will improve the short term cash position of the Company and this underlying operating cost reduction will make cash flow break operations more achievable in the future.

4. Demonstrated progress in commercialisation with growing cash receipts against falling costs.

The significant reduction in operating cash outflow outlined above was achieved while maintaining core capabilities and growing cash receipts during the December Quarter.

Cash Receipts from Merchant Services and Brand Partnership activity increased by 33% QoQ from \$221k in the September Quarter to \$295k in the December Quarter.

Having made progress with respect to improving the cost of paying merchant acquisition the Company is applying effort to leveraging its market leading scale to develop additional high margin brand partnership opportunities.

Unlike the predictable nature of recurring Merchants Services (SaaS) fees, Brand Partnership (advertising) revenue is typically based on once off transactions and require ongoing development and nurturing of sales pipelines.

See point 6. below for additional details with respect to the Company's efforts to develop additional, high margin Brand Partnership income.

5. Launch of program to sell new Merchant Services

During the current Quarter the Company completed product development and recently commenced with sales of new Merchant Services.

The new services leverage the existing network and operations and successful sales will deliver high margins compared to other services.

At present, it is too early to provide commentary on progress and potential cashflow impact of these new sales. The Company will provide updates as meaningful data and insight comes to hand.

6. Current and prospective Brand Partnership opportunities

The Company is currently delivering on a 4 week campaign for Macquarie Bank home loans with payment due during the current quarter.

While Brand advertising revenue is high margin for the Company, unlike the predictable nature of recurring Merchants Services (SaaS) fees, Brand Partnership (advertising) revenue is typically based on once off transactions and requires ongoing sales pipeline development and nurturing.

As demonstrated in the March 2018 quarter when cash receipts for Brand Advertising was \$417k, when focused resources are applied, Rewardle can leverage the scale of its market leading merchant and member network to generate substantial, high margin digital advertising income.

During the current quarter the Company enlisted an experienced media professional to assist with sales of the Company's high margin brand advertising opportunities on a commission only basis.

A number of proposals are being prepared for potential partners and these are expected to start yielding results in coming weeks. The Company will provide updates with respect to progress in the general course of business activities reporting.

7. Active development of commercial partnership opportunities to monetise the membership base

The Company is actively working on developing a pipeline of commercial partnership opportunities to monetise its substantial membership base through earning commissions on in app transactions. These partnerships are not expected to deliver material cashflow contributions in the short term, however the development of these opportunities aligns with the long term strategic objectives of the Company.

The Company will provide updates on the progress of commercial partnerships as appropriate, taking into consideration the nature and potential impact on the business.

8. Ongoing financial support from Directors

In the event that further working capital is required in addition to the points outlined above, as previously demonstrated, the Directors may elect to provide support on terms yet to be negotiated and agreed.

Please confirm that RXH is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.

Confirmed

Please confirm that RXH's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of RXH with delegated authority from the board to respond to ASX on disclosure matters.

Confirmed

Please also provide any other information that RXH considers may be relevant to ASX forming an opinion on whether RXH is complying with Listing Rule 12.2 that a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.

There is no further information.

Yours sincerely

A handwritten signature in blue ink, consisting of a series of loops and a long horizontal stroke extending to the right.

Ruwan Weerasooyria
Chairman



19 February 2019

Mr Ian Hobson
Company Secretary
Rewardle Holdings Limited
Suite 5, 95 Hay Street
SUBIACO WA 6008

By email: ianhobson@bigpond.com

Dear Mr Hobson

Rewardle Holdings Limited ('RXH'): Appendix 4C Query

ASX refers to RXH's Appendix 4C quarterly report for the period ended 31 December 2018 lodged with the ASX Market Announcements Platform and released on 31 January 2019 (the 'Appendix 4C').

ASX notes that RXH has reported:

- negative net operating cash flows for the quarter of \$369,000;
- cash at the end of the quarter of \$318,000; and
- estimated cash outflows for the next quarter of \$610,000.

It is possible to conclude, based on the information in the Appendix 4C, that if RXH were to continue to expend cash at the rate indicated by the Appendix 4C, RXH may not have sufficient cash to continue funding its operations.

Request for Information

In view of that, ASX asks RXH to answer separately each of the following questions and provide the following confirmations in a format suitable for release to the market under Listing Rule 18.7A:

1. Does RXH expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has RXH taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does RXH expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please confirm that RXH is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.
5. Please confirm that RXH's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of RXH with delegated authority from the board to respond to ASX on disclosure matters.

Please also provide any other information that RXH considers may be relevant to ASX forming an opinion on whether RXH is complying with Listing Rule 12.2 that a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **4.00 PM AWST Friday, 22 February 2019**.

If we do not have your response by then, ASX will have no choice but to consider suspending trading in RXH's securities under Listing Rule 17.3. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, RXH's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market. Your response should be sent to me by e-mail at ListingsCompliancePerth@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1 and 3.1A

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A. In responding to this letter, you should have regard to RXH's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that RXH's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in RXH's securities under Listing Rule 17.1. If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Enquiries

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

Penelope Reid
Adviser, Listings Compliance (Perth)