

20th May 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 15th May 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 and decrease progressively due to the ongoing management focus on cost reduction and development of existing and new revenue streams.

During the March quarter the Company achieved its first month of positive operating cash flow and reduced QoQ operating cash outflow by 48% from \$369k to \$195k.

Further cost reductions are being implemented over the June and September quarters and new products will be launched that will support growing revenue. While operational fluctuations are to be expected, the Company is cautiously optimistic the business can continue to grow cash receipts while maintaining the significantly lower operating cost base that is being established.

Based on management assumptions, funds of \$119k 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.

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?

The Board believes it is in the best interests of shareholders to balance capital raising options against the operational progress of the business towards consistent cash flow positive operations. As such, in considering funding requirements and options, the Board is closely monitoring the Company's progress towards consistent cash flow break even operations.

The following options have been or are being considered by the Company. The Company is aware of its continuous disclosure requirements and will provide updates if the nature of any discussions with respect to the following options progresses to warranting such disclosure.

1. Recapitalisation/corporate transactions:

As previously outlined, the Company has received approaches to recapitalise the business, some in combination with the addition of new complimentary businesses.

These discussions remain relatively early stage and exploratory in nature and the Company considers it unlikely that these discussions will formally progress in the near future.

2. Issue of shares:

The Company may elect to issue shares under the placement capacity approved by Shareholders at the most recent Annual General Meeting.

If a placement was undertaken, given the Company's current market capitalisation and demonstrated improvement in operations towards consistent cash flow break even, the Board believes that it is reasonable to expect broader support from existing shareholders and external parties than the most recent capital raisings.

3. R&D financing:

The Company's has previously received refunds under the Federal Government's Research and Development (R&D) Tax Incentive program.

Due to its highly strategic nature, the Company has maintained its commitment to investing in research and development during FY19 while balancing the commercial challenges of steering the business to consistent cash flow break even operations.

While R&D expenditure is incurred progressively during the the Financial Year, the refunds from the program are typically received 3-9 months from the end of Financial Year. Due to this timing asymmetry a number of finance providers offer working capital advances against forecast R&D refunds.

As outlined in the March Quarterly Operational and Cashflow Update, the receipt of an FY19 R&D refund is a key management assumption with respect to the Company's working capital needs.

To bolster short term working capital which can be used to support the businesses continued progress towards consistent cash flow positive operations, the Company is seeking to access a financing facility based on its FY19 R&D claim.

4. Director loans

To support the Company while it seeks to establish an R&D financing facility, as outlined in point 3 above, Mr Ruwan Weerasooriya has agreed to provide a loan of up to \$100,000 on favourable terms to the Company as follows:

- Interest free
- Unsecured
- Repayable only when the Company has the capacity to pay

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.

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 March Quarterly Operational and Cashflow Update:

1. Sales of new Merchant Services (SaaS) revenue stream:

As detailed in the March Quarter Operational and Cashflow Update, the Company has launched a new high margin, Local Business Listings product which is delivering a new revenue stream to the business.

This product has been developed based on insight gathered over 12 months of experimentation with initiatives to support local businesses with local area marketing services. The “Local Business Listings” are a high margin, digital marketing product line that can be sold independently or in combination with the existing membership, points, rewards and payments offering.

Importantly, the sales process for Local Business Listings leverages the existing platform infrastructure, CRM systems and data, sales resources and team capability already incumbent in the Company’s operations. This allows the Company to generate new revenue without incurring any significant increase in operating costs.

Sales of Local Business Listings began at the end of February and contributed to March’s cash flow breakeven performance. During the current quarter the sales performance is steadily improving as the team becomes more familiar with the product and minor adjustments are made to the product proposition and pricing.

Management is confident that there is potential to build on the early success of the Local Business Listings product to deliver a new, reliable stream of high margin revenue without increasing the current operating cost base.

2. Development of new revenue and partnership opportunities

Following the launch of “Local Business Listings” during the March quarter, the Company is in the process of launching additional products and developing partnership opportunities to leverage the Company’s operations.

Like the “Local Business Listing” product, the new revenue opportunities being developed will leverage the existing platform infrastructure, CRM systems and data, sales resources and team capability already incumbent in the Company’s operations. This will allow the Company to generate new revenue without incurring any significant increase in operating costs.

In addition to development of new revenue streams, the Company has identified that Rewardle's proprietary technology, data, operations and corporate infrastructure can be leveraged to support the objectives of complimentary businesses with minor operational disruption or incremental cost.

As such, the Company is developing a pipeline of partnership opportunities based on earning equity in return for the provision of the following services:

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

While transactions that progress in this manner are not expected to deliver short term cash flow contributions. The development of these opportunities aligns with the long term strategic objectives of the Company.

At present, one such partnership transaction has been informally agreed and is in the process of being formally documented. As this stage, there is no certainty that a transaction will proceed and the Company will provide updates with respect to progress as appropriate.

3. Further planned cost reductions

Management has identified additional cost reductions that are being implemented during the June and September Quarters.

These are expected to yield a reduction of approximately 10% or \$15,000 in fixed monthly operating costs which will support management in delivering consistent cash flow breakeven operations in the future.

As part of the planned cost reductions the Company has elected not to renew the lease of its Queen St premises in Melbourne. The Company's current lease ends during July and the Company will move its Melbourne office to an inner-city co-working space.

Relocating the Company's operations into a co-working space has multiple working capital and operational benefits:

1. Substantial reduction in monthly rental costs.
2. Release of rental bond for use as working capital.
3. Flexibility to quickly and cost effectively scale up or down as required in the future.

4. Developing opportunities grow brand advertising revenue

As previously outlined, unlike the predictable nature of recurring Merchants Services (SaaS) fees, Brand Partnership (advertising) revenue is typically based on once off transactions. As such, the development of a successful display advertising business requires consistent market development to uncover, respond and secure new brand advertising opportunities.

As demonstrated in previous quarters, when focused resources are applied to pursuing Brand Partnerships, Rewardle's market leading network scale can be leveraged to generate significant, high margin revenue for the Company.

As previously detailed, during the March 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.

The process for developing consistent brand advertising opportunities was expected to require at least one to two quarters of consistent servicing to appropriately engage with the media briefing and booking process and as anticipated the initial opportunities from recent efforts are starting to emerge.

As outlined in the March Quarterly Operational and Cash Flow Update, in addition to engaging an experienced media sales professional on a commission only basis to promote and sell Rewardle's advertising inventory, the Company is also engaged in exploratory discussions with a number of emerging media inventory marketplaces.

Media marketplaces are emerging in response to the growing digitisation of the media inventory and the availability of data for audience targeting.

The significant scale of Rewardle's merchant and member network coupled with the platforms rich proprietary data set is highly appealing to start-up media marketplaces seeking to establish critical mass to attract media buyers and brands to transact on their platform.

As part of these discussions the Company is considering the potential for Rewardle to spin out is substantial and growing media inventory as the cornerstone supplier for a start-up media marketplace in return for equity.

At present, only informal discussions have been undertaken with potential partners and no formal documentation has been prepared. The Company will provide updates in the event that these discussions progress sufficiently to be considered material.

Based on the work undertaken to develop brand partnership opportunities, management is confident that high margin advertising revenue will be forthcoming in coming periods, supporting the business to consistently achieve cash flow positive operations. The Company will provide updates with respect to progress of developing Brand Partnership revenue in the general course of business activities reporting.

5. FY19 R&D refund

As detailed above, to bolster short term working capital, the Company is seeking to access a financing facility based on its FY19 R&D claim.

Based on management's estimate of the FY19 R&D claim, and recent progress in reducing operating costs while developing existing and new revenue streams, the working capital that may be made available under a financing facility is expected to be sufficient to support the business achieving consistent cash flow positive operations.

In the event that a financing facility of this nature is not forthcoming, the Company has established a number of contingency plans including support from Directors to support the Company until the FY19 R&D return is received.

6. Ongoing financial support from Directors

To support the Company while it seeks to establish the R&D financing facility, Mr Ruwan Weerasooriya has agreed to provide a loan of up to \$100,000 on favourable terms to the Company as set out above.

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, appearing to read 'Ruwan', followed by a long, sweeping horizontal line.

Ruwan Weerasooriya
Chairman



15 May 2019

Reference: ODIN02124

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 Ltd ('RXH'): Appendix 4C Query

ASX refers to RXH's Appendix 4C quarterly report for the period ended 31 March 2019 lodged with the ASX Market Announcements Platform and released on 30 April 2019 (the 'Appendix 4C').

ASX notes that RXH has reported:

- negative net operating cash flows for the quarter of \$195,000;
- cash at the end of the quarter of \$119,000; and
- estimated cash outflows for the next quarter of \$451,000.

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 **3 PM AWST Monday, 20 May 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)