

Shares:	526.32m	Merchants (as at 30 Jun 2019):	4,894
Market cap (@ \$0.006):	\$3.16m (Approx)	Members (as at 30 Jun 2019):	3,237,194
Cash (as at 30 June 2019):	\$0.04m (Approx)	Check-ins (as at 30 Jun 2019):	69,775,463

June Quarterly Operational and Cash Flow Update

Key highlights

- **Management focus on reducing operating costs delivered a further 15% QoQ reduction from \$530k to \$452k.**
- **Cash outflow from operations relatively stable in spite of underperformance in Merchant Services and Brand Partnership sales.**
- **Key management challenge remains the consistent sales performance across Merchant Services and Brand Partnerships**
- **Partnership established with Pepper Leaf, a profitable, local owned and operated Meal Delivery Kit Subscription Service.**
- **Subsequent to June quarter, \$596,818 was received from Radium Capital as a loan which is based on a preliminary estimate of Rewardle's FY19 R&D refund as at 31 May 2019.**
- **The board is continuing to review operating budgets and strategy taking into consideration a variety of commercial and corporate scenarios and opportunities.**

Commenting on the Company's activities during the June Quarter, Rewardle founder and Executive Chairman, Ruwan Weerasooriya, said;

"While we were pleased to once again reduce our underlying operating costs, we are disappointed that sales performance for the June Quarter did not build on the positive momentum generated during the March quarter."

"While management of our sales performance is clearly challenging, we remain confident that we can iterate our process and proposition to achieve the performance levels required to deliver consistent cash flow positive operations."

"While sales management is a clear short term priority, we're excited to have kicked off our corporate partnership strategy with Pepper Leaf during the June quarter. This was followed up with our partnership with SportsPass that was completed subsequent to June quarter."

"We believe that the portfolio of partnerships opportunities that we are developing can unlock high growth potential in our partners businesses by leveraging the scale of our network and operational resources."

"Finally, the R&D financing facility established with Radium Capital subsequent to the June quarter provides us access to working capital to continue investing in innovation and growth while we prepare the full FY19 R&D claim."

"Moving forward, we remain committed to working to tight budgets and managing our working capital by balancing operating costs against closely monitored revenue generation targets."

Management continuing to focus on growing revenue while reducing operating costs.

As previously reported, the sustained management focus to improve efficiency and commercialise Rewardle's substantial network of local businesses and members has been delivering substantial reductions in cash outflow.

During the June quarter the cash outflow remained relatively stable in spite of disappointing sales performance across Merchant Services and Brand Partnerships due to a 15% reduction in QoQ operating costs from \$530k to \$452k.

Further cost reductions have been identified and are being implemented over the September and December quarters. These additional cost reductions will support management in delivering consistent cash flow breakeven operations in the future.

After the positive momentum of the March Quarter, the sales performance across Merchant Services and Brand Partnerships during the June quarter was disappointing. Management is continuing to review the current sales process and product proposition to improve performance and consistency.

While clearly challenging, management is confident that the required sales performance improvements can be achieved to deliver consistent cash flow positive operations.

Partnership with Pepper Leaf

As part of Rewardle strategy to leverage its operations, the Company has established a strategic partnership with Pepper Leaf, a profitable, Australian owned and operated subscription-based meal kit delivery service based in Melbourne.

Meal Kit Sector Overview

Meal kits provide consumers with a convenient solution to assist them in preparing tasty, healthy home cooked meals while reducing food waste.

The fast growing meal kit sector has emerged in recent years in response to macro trends that are disrupting the traditional food and grocery retail business model:

- Grocery spending shifting to online and home delivery services
- Increasing demand for convenient, healthy meal solutions
- Growing consumer awareness of issues related to food waste and sustainability

In Australia the sector is dominated by large foreign operated brands Marley Spoon (ASX:MMM) and Frankfurt listed HelloFresh (FRA:HFG) that have been heavily funded by venture capital to invest in an aggressive customer acquisition strategy.

The Australian meal kit sector has grown rapidly in recent years with the Financial Review reporting the market for meal kits was worth approximately \$300 million per annum in late 2018. Due to the disruptive nature of the meal kit business model, the sector has attracted significant investor and trade attention.

Earlier this month, Woolworths (ASX: WOW) announced a \$30m investment in Berlin based Marley Spoon (ASX: MMM). On announcing the partnership and investment in Marley Spoon, Woolworths Group CEO Brad Banducci said;

"This partnership gives Woolworth's exposure to the high-growth ready-to-cook meal kits segment and aligns with our ongoing goal of meeting our customers' needs for healthy and convenient meal solutions."

Separately, the Financial Review reported that Coles (ASX:COL) managing director Steven Cain was "fascinated" by the growth of meal kits and that he plans to take on meal kit companies Marley Spoon and HelloFresh as part of a new convenience strategy.

Partnership with Pepper Leaf... (cont.)

While meal kits have demonstrated operational efficiency and attractive margins. These high margins have been eroded by the high cost of customer acquisition which is widely acknowledged to the sector's 'Achilles heel'.

The partnership between Pepper Leaf and Rewardle is seeking to remedy the customer acquisition challenge that the parties believe has not been adequately addressed by the dominant players in the sector.

Pepper Leaf Overview

Pepper Leaf is a profitable, Australian meal delivery kit service, founded in 2015 by Melbournian foodies Simon Kahil (CEO) and John Cincotta (COO).

The business currently services customers in Metropolitan and regional centres of Victoria, New South Wales, Australian Capital Territory and South Australia, with the capability to extend to other capital cities and regional centres.

Pepper Leaf has built a reputation as a high quality, locally owned and operated meal kit service provider. By applying a disciplined approach to customer acquisition, Pepper Leaf is able to invest in delivering the highest quality product and attentive customer service to their subscribers.

This was evident when Pepper Leaf was awarded 5 stars for its service by The Age Good Food Guide in a recent review of meal delivery kits. Pepper Leaf outscored its significantly larger and better funded foreign based competitors HelloFresh (4 stars), Marley Spoon (4 stars) and Dinnerly by Marley Spoon (3 stars).

For full article visit - <https://www.goodfood.com.au/recipes/news/homedelivered-meal-services-tested-tasted-and-reviewed-20180918-h15kau>

While Pepper Leaf has been rated as superior to its larger rivals and operates profitably, its ability to grow has been constrained due to the aggressive marketing approach of the larger, well capitalised, foreign owned brands.

The cost of meal kit customer acquisition has been driven up to unsustainable levels by venture capital funding, aggressive growth strategies and the biddable nature of Facebook and Google advertising.

Rival foreign brands in the meal kit sector are willing to pay over \$100 to acquire a new customer in addition to heavy and ongoing discounting practices.

Cost effective customer acquisition strategies are critical to the long term sustainability of Meal Kit companies and Pepper Leaf has demonstrated a pragmatic, disciplined approach to operating and growing its business.

Having avoided engaging in the meal kit marketing arms race, Pepper Leaf has slowly but surely built a loyal, engaged customer base and established a profitable operating business.

Pepper Leaf is ripe for scaling and the business will enjoy a substantial operating advantage by using the Rewardle Platform to acquire customers without incurring marketing costs.

In contrast to its larger foreign competitors that require constant follow on funding to execute their strategy, the partnership with Rewardle positions Pepper Leaf to grow aggressively from its own cash flow by leveraging Rewardle's owned media assets to reach millions of Australian consumers.

Partnership with Pepper Leaf... (cont.)

Rewardle x Pepper Leaf partnership overview

The parties have 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.

The parties have executed a binding term sheet under which Rewardle will provide a variety of services as outlined below:

- Marketing and advertising services to build brand awareness and acquire new subscribers for Pepper Leaf.
- Software development services to support the operation and enhancement of the Pepper Leaf website.
- Customer service support to enhance Pepper Leaf customer experience.
- Corporate strategy and fundraising assistance.

Under the terms sheet, Rewardle will be compensated for the provision of services through a combination of options to acquire shares in Pepper Leaf (Options) and hourly rate service fees (Cash).

Pepper Leaf will issue Rewardle 12,000,000 options with an exercise price of \$0.125 that expire in 4 years. The options will vest in 3 years or earlier if a trigger event occurs. On a fully diluted basis Rewardle will hold approximately 54% of Pepper Leaf's equity (non-dilution provisions apply).

In addition, Pepper Leaf will pay Rewardle cash fees for a variety of business services (excluding advertising and media services) based on mutually agreed time and materials rates.

Rewardle will provide Pepper Leaf with "always on" promotion and customer acquisition campaigns across its suite of digital signage, in app and broadcast email media assets at no charge.

As previously outlined, Brand Partnership (advertising) revenue is typically based on once off transactions which results in significant, idle, excess advertising inventory.

The partnership gives the Company an opportunity to realise value for unsold advertising inventory by supporting and sharing the growth of Pepper Leaf via the equity component of the partnership.

With the Rewardle partnership in place Pepper Leaf will be uniquely positioned in the Australian subscription meal kit sector as a profitable, Australian owned and operated service with exclusive access to a membership database of over 3.2 million Australian consumers to power customer acquisition.

The Company believes that Pepper Leaf will be a high quality candidate for partnership and investment opportunities with traditional operators in the hyper competitive food and grocery sector once the partnership has been bedded down.

Development of partnership opportunities that leverage the Company's operations

As previously outlined and demonstrated with the Pepper Leaf partnership, 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.

Development of partnership opportunities that leverage the Company's operations... (cont.)

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.

Subsequent to the June quarter the Company entered a partnership with SportsPass, a business that provides rewards and benefits to sporting club members, and is in discussions with a number of other potential partners.

The Company will provide updates with respect to progress of partnership transactions as appropriate.

R&D financing facility with Radium Capital

Subsequent to the June quarter the Company established a financing facility for its FY19 R&D activity with specialist R&D lender Radium Capital (Radium) and received \$596,818.

The R&D Tax Incentive is an Australian Government scheme which supports investment in innovation under which companies receive cash refunds for eligible expenditure on research and development benefiting Australia. The Company's has previously received refunds under scheme.

Due to its highly strategic nature, 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 Radium has developed a financing model to provide eligible companies with working capital advances secured by forecast R&D refunds.

The financing facility established with Radium allows the Company to manage the cash flow asymmetry associated with the timing difference between investment in research and development activity and receipt of the R&D refund.

The Agreement with Radium is based on standard terms customary for this type of financing facility including the following key terms:

- Loan amount: \$596,818
- Security: Rewardle's FY19 R&D rebate
- Interest rate: 15% PA
- Maturity date: Earlier of 31 October 2019 or receipt of FY19 R&D rebate

The Company is in the process of completing its FY19 R&D claim which when processed will retire the Radium loan and provide additional working capital to support managements goal of achieving consistent cash flow positive operations. The Company will provide updates on progress as appropriate.

Working capital management

The Company is confident that it will have sufficient working capital to meet its budget objectives for FY20 and beyond based upon:

- Ongoing reduction in operating costs
- Improvements in sales performance across Merchant Services and Brand Partnership revenue streams
- Development of corporate partnership opportunities
- Development of new revenue and partnership opportunities
- Preparing and receiving FY19 R&D rebate

The board is regularly reviewing operating budgets and strategy taking into consideration a variety of commercial and corporate scenarios and opportunities.

About Rewardle Holdings Limited

Rewardle connects over 3 million Members with around 5,000 local businesses across Australia.

The Rewardle Platform 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.

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.

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)

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Rewardle Holdings Limited

ABN

37 168 751 746

Quarter ended ("current quarter")

30 June 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	224	1,075
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(189)	(1,222)
(c) advertising and marketing	(7)	(17)
(d) leased assets	-	-
(e) staff costs	(207)	(1,418)
(f) administration and corporate costs	(49)	(256)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	1,088
1.8 Other (provide details if material)	4	4
1.9 Net cash from / (used in) operating activities	(224)	(746)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	95
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(19)
3.5	Proceeds from borrowings	150	650
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	150	726

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	119	65
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(224)	(746)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	150	726

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	45	45

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	45	119
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	45	119

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
-
-

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	200	150
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

During this quarter, the Group has drawn loan of \$150k from an unsecured, fee and interest free and non-recourse facility of the same value provided by the Executive Chairman, Mr Ruwan Weerasooriya.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	160
9.3 Advertising and marketing	1
9.4 Leased assets	-
9.5 Staff costs	200
9.6 Administration and corporate costs	30
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	391

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
(Director)

Date: 31 July 2019

Print name: Ruwan Weerasooriya

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.