

Shares:	526.32m	Merchants (as at 31 Dec 2019):	4,626
Market cap (@ \$0.005):	\$2.63m (Approx)	Members (as at 31 Dec 2019):	3,336,106
Cash (as at 31 Dec 2019):	\$0.03m (Approx)	Check-ins (as at 31 Dec 2019):	73,995,491

ASX ANNOUNCEMENT

31 JANUARY 2020

Q2 FY20 BUSINESS UPDATE

Key highlights:

- **Management remains focussed on maintaining lowered operating costs along with developing existing and new revenue streams.**
- **New packages and approaches for both Merchant Services and Brand Advertising sales are being launched in the Q3 FY20.**
- **Partnership strategy is progressing with integration of existing portfolio partners into operations and new opportunities being developed.**
- **\$125,000 received from Radium Capital, a specialist R&D finance provider. Funds are a loan based on preliminary estimate of Q1 FY20 R&D expenditure.**
- **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 Q2 FY20, Rewardle founder and Executive Chairman, Ruwan Weerasooriya, said;

"Knowing that the December and March quarters are seasonally slow periods we have taken the opportunity to consolidate the operational changes that were implemented during 2019 and prepare for growth in 2020."

"Our key challenge remains cost effectively growing existing and new revenue streams. While challenging, we're confident that the iterations we are making to our offering and sales approach can deliver consistent cash flow positive operations."

"We are continuing to invest in research and development to extend the capabilities of the Rewardle Platform to enhance our value proposition for local businesses and brands."

"We have also developed new sales approaches for local businesses and brand advertisers which are being launched in early 2020."

"In addition to our core operations, we are developing a portfolio of partnerships opportunities based on earning equity in return for the provision of services. These partnerships leverage the scale of Rewardle's network and operational resources to unlock value for us and our partners."

"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."

ASX ANNOUNCEMENT

31 JANUARY 2020

Merchant Services revenue development

The Company has been developing new products and services which are planned for launch in early 2020. These will be taken to market using a new sales approach that has been developed and refined over recent months.

The new services leverage the existing network and operations and successful sales will deliver superior margins and cash flow to previous iterations. The revised sales process has been tested at small scale and delivered superior results to previous approaches.

During the quarter, the Company tested various approaches of engaging new and existing non-paying merchants with a variety of new service packages. While this activity resulted in the loss of some non-paying merchants it provided the Company with valuable insight and learnings that will support future growth.

The Company will provide updates on the progress of new Merchant Services sales activity in the general course of business activities reporting.

Brand Partnership (Advertising) revenue development

The Company is currently delivering campaigns for RedBalloon and Mövenpick that make use of the Company's digital signage, email and in-app media assets. In addition, the Company is managing an active pipeline of direct and indirect (via commission based partners) advertising opportunities.

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

The Company has evaluated the challenges faced in developing consistent brand advertising revenue and is revising how it presents its media assets to create a more unique advertising proposition in the highly competitive digital media sector that is dominated by Google and Facebook.

Pre-sales discussions of the new media packages with a number of prospective clients has commenced and the Company will provide updates with respect to progress in the general course of business activities reporting.

Development of commercial partnership opportunities:

As previously outlined, 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.

To date, strategic partnerships have been established with Pepper Leaf, SportsPass and Beanhunter. The specific nature of each partnership has been covered in detail in previous ASX announcements. These partnership opportunities are based on the Company earning equity and cash fees 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

Development of commercial partnership opportunities... (cont.)

While the primary rationale for the partnership transactions is their alignment with the long term strategic objectives of the Company, each is expected to deliver incremental short term cash flow contributions.

In addition to the current partnerships, the Company is developing a pipeline of opportunities and will provide updates on the progress of these as appropriate, taking into consideration the nature and potential impact on the business.

R&D financing facility with Radium Capital

During the quarter the Company established a financing facility for its Q1 FY20 R&D activity with specialist R&D lender Radium Capital (Radium).

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 is maintaining its commitment to investing in research and development during FY20 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: \$125,000
- Security: Rewardle's FY20 R&D rebate
- Interest rate: 14% PA
- Maturity date: Earlier of 31 October 2020 or receipt of FY20 R&D rebate

The Company intends to continue investing in research and development and using R&D financing services as a component of its cash flow management strategy to support managements goal of achieving consistent cash flow positive operations. The Company will provide updates on future financing as appropriate.

ASX ANNOUNCEMENT

31 JANUARY 2020

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 management of operating costs
- Improvements in sales performance across Merchant Services and Brand Partnership revenue streams
- Development of corporate partnership opportunities
- Management of existing and development of new revenue opportunities
- Financing of FY20 R&D activities and access to Director loan

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

This ASX announcement has been approved for release by Executive Chairman, Ruwan Weerasooriya.

About Rewardle Holdings Limited

Rewardle connects over 3 million Members with over 4,000 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)
Email: ruwan@rewardle.com
Mobile: 0412448769

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")

31 December 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	127	276
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(165)	(609)
(c) advertising and marketing	(2)	(7)
(d) leased assets	-	-
(e) staff costs	(185)	(434)
(f) administration and corporate costs	(53)	(93)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	4
1.5 Interest and other costs of finance paid	(3)	(20)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	805
1.8 Other (proceeds from refund of deposits)	-	56
1.9 Net cash from / (used in) operating activities	(281)	(22)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(6)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
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	-	-
2.6	Net cash from / (used in) investing activities	-	(6)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
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	-	-
3.5	Proceeds from borrowings	155	882
3.6	Repayment of borrowings	-	(872)
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	155	10

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	153	45
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(281)	(22)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(6)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	155	10
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	27	27

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	27	153
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)	27	153

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	250	35
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.		

Executive Chairman, Mr Ruwan Weerasooriyas has provided an unsecured, interest free working capital loan facility of up to \$250,000. The Group has drawn loan of \$35k from this facility as at 31 December 2019.

During the quarter the Group received \$125k of short-term funding from Radium Capital as announced to the market on 13 November 2019.

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	180
9.6 Administration and corporate costs	30
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	371

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 January 2020

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.