

28 February 2020

Ms Vanessa Nevjestic
Adviser, Listings Compliance (Perth)
ASX Limited
Level 40, Central Park
152-158 St Georges Terrace
Perth WA 6000

Dear Ms Nevjestic

I refer to your letter dated 24th February 2020 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 relatively minor and decrease progressively due to the ongoing management focus on cost management and development of existing and new revenue streams.

It is expected that the new products and services, along with the Company's portfolio of commercial partnerships with 3rd parties, Pepper Leaf, SportsPass and Beanhunter, will support growing revenue, reducing negative operating cash flow and advancing the Company's towards cash flow breakeven operations.

The December and March quarters are historically slower periods for the Company and while operational fluctuations are to be expected, the Company is cautiously optimistic that the growth of existing and new revenue streams can be achieved while maintaining the significantly lower operating cost base that has been established.

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.

While the Board is primarily considering the Company's existing operations, it has also received multiple 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 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 at this stage the Company considers their nature to be highly speculative.

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 and the receipt of an FY20 R&D refund and access to R&D financing on a quarterly basis during the course of FY20 is a key management assumption with respect to the Company's working capital needs.

Due to its highly strategic nature, the 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 a number of finance providers offer working capital advances against forecast R&D refunds.

As part of its cashflow management strategy the Company has previously used an R&D financing facility from Radium Capital (Radium).

As outlined in the ASX release on 13th November 2019 the Company received \$125k of R&D finance from Radium which was based on the Company's September quarterly R&D expenditure.

The Company intends to continuing to work with Radium to finance subsequent quarterly R&D expenditure but has elected to consolidate the financing for the December and March quarterly R&D expenditure which is expected to be prepared and processed in April 2020.

The decision to consolidate the December and March quarterly R&D activity financing reduces the management overhead associated with the R&D financing process and has been made by taking into consideration the availability of the loan provided by Executive Chairman, Ruwan Weerasooriya, as outlined in point 4 below.

4. Director loans

In addition to the points above, as announced to the market on 31 December 2019, Executive Chairman, Ruwan Weerasooriya, provided an unsecured, interest free loan of up to \$250,000 to support the Company's working capital needs.

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 September Quarterly Operational and Cashflow Update:

1. Ongoing management of significantly reduced underlying operating costs.

The Company is continuing to implement organisational efficiencies and in doing so is establishing a stronger pathway into cashflow positive operations in future periods.

Further opportunities for incremental improvements and cost reductions have been identified and are being implemented across the business.

2. Development of new and existing Merchant revenue streams:

The Company has been developing new products and services which are in the process of being launched. These are being 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 of the Company's offering. The revised sales process has been tested at small scale and delivered superior results to previous approaches undertaken by the Company and are more readily scalable than previous approaches.

While it is premature to provide commentary on progress and potential cash flow impact of these new sales, the Company will provide updates in the general course of business activities reporting as meaningful data and insight comes to hand.

3. Current and prospective Brand Partnership (Advertising) opportunities:

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.

4. 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

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.

5. Research and Development financing:

As outlined in the ASX release on 13th November 2019 the Company received \$125k of R&D finance from Radium Capital which was based on the Company's September quarterly R&D expenditure. The Company intends to continuing to work with Radium to finance subsequent quarterly R&D expenditure.

To reduce the management overhead associated with the R&D financing process the Company has elected to consolidate the financing for the December and March quarterly R&D expenditure which is expected to be prepared and processed in April 2020.

6. Ongoing financial support from Directors

As announced to the market on 31 December 2019, Executive Chairman, Ruwan Weerasooriya, provided an unsecured, interest free loan of up to \$250,000 to support the Company's working capital needs.

Based on management assumptions, funds of \$27k on hand at the start of the current quarter plus the \$250k Directors loan and financing of R&D activity 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 and other initiatives detailed in this response.

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
Executive Chairman



24 February 2020

Reference: ODIN14033

Mr Nicholas Day
Company Secretary
Rewardle Holdings Limited
Unit 5/16 Nicholson Road
SUBIACO WA 6008

By email: nick.day@dreadnoughtresources.com.au

Dear Mr Day

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

ASX refers to RXH's Appendix 4C quarterly report for the period ended 31 December 2019 lodged with the ASX Market Announcements Platform and released on 31 January 2020 (the 'Appendix 4C').

ASX notes that RXH has reported:

- negative net operating cash flows for the quarter of \$281,000;
- cash at the end of the quarter of \$27,000; and
- estimated cash outflows for the next quarter of \$371,000.

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 **6:00 AM AWST Friday, 28 February 2020**.

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 faithfully

Vanessa Nevjestic
Adviser, Listings Compliance (Perth)