

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

Rewardle Holdings Limited

**ABN**

37 168 751 746

**Quarter ended ("current quarter")**

31 March 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	127	431
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(185)	(828)
(c) advertising and marketing	(1)	(8)
(d) leased assets	-	-
(e) staff costs	(172)	(606)
(f) administration and corporate costs	(65)	(158)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	4
1.5 Interest and other costs of finance paid	-	(20)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	805
1.8 Other (provide details if material)	-	56
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(296)</b>	<b>(324)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(f) other non-current assets		
2.2	Proceeds from disposal of:	-	-
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) 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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>-</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	275	1,156
3.6	Repayment of borrowings	-	(871)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>275</b>	<b>285</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	27	45
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(296)	(324)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
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)	275	285
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	<b>Cash and cash equivalents at end of period</b>	<b>6</b>	<b>6</b>

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	6	27
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>6</b>	<b>27</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
-
-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

**7. Financing facilities**

*Note: the term "facility" includes all forms of financing arrangements available to the entity.*

*Add notes as necessary for an understanding of the sources of finance available to the entity.*

	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities	500	310
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
<b>7.4 Total financing facilities</b>	<b>500</b>	<b>310</b>

7.5 **Unused financing facilities available at quarter end** 190

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

During the quarter, Executive Chairman, Mr Ruwan Weerasooriya has extended the unsecured, interest free working capital loan facility of \$250,000 to \$500,000. The Group has drawn loan of \$310k from this facility as at 31 March 2020.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(296)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	6
8.3 Unused finance facilities available at quarter end (Item 7.5)	190
8.4 Total available funding (Item 8.2 + Item 8.3)	196
<b>8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	<b>0.66</b>

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

- Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

The COVID-19 pandemic is negatively impacting the Company's operations and while the Company expects to have negative operating cash flows for the time being, the combination of cost reduction initiatives and government support packages are expected to support the Company's cash flow over next 6 months.

During such time, the Company expects trading conditions and sales performance of new products and services improve. The Company's portfolio of commercial partnerships with 3rd parties, Pepper Leaf, SportsPass and Beanhunter, will also support reducing negative operating cash flow and advancing the Company's towards cash flow breakeven operations.

- Has the entity 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?

Answer:

The Board continues to believe 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 impact of the COVID-19 pandemic on the Company's progress towards consistent cash flow break even operations.

While the Board is primarily considering the Company's existing operations, from time to time the Company receives approaches to recapitalise the business, some in combination with the addition of new complimentary businesses.

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, from time to time the Company receives 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:

Due to its highly strategic nature, the Company is maintaining its commitment to investing in research and development during FY20.

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 during the course of FY20 is a key management assumption with respect to the Company's working capital needs.

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 Q1 FY20 R&D expenditure.

Discussions with the Radium account management team has confirmed that the Company has the option of financing subsequent expenditure during FY20 if the need arises.

The decision to access further R&D financing from Radium will be made by monitoring cash flow over coming months including consideration of the loan provided by Executive Chairman, Ruwan Weerasooriya, as outlined in point 4 below.

Updates will be provided in the case of the Company entering into formal financing agreements.

**4. Director loans**

In addition to the points above, Executive Chairman, Ruwan Weerasooriya, has extended the unsecured, interest free loan of up to \$250,000 to \$500,000 to support the Company's working capital needs during this challenging time.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

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. Ongoing reduction of operating costs.

The Company is implementing cost reduction initiatives over coming months and in doing so is establishing a stronger pathway into cash flow positive operations in future periods.

2. COVID-19 Government support packages

Management is considering the impact of the various support packages announced by State and Federal Governments. The Company expects it will qualify for payroll tax and PAYG tax support packages along with the JobKeeper program.

While the COVID-19 pandemic has created an unprecedented health and economic crisis, the unprecedented financial support offered by the Federal Government will support the Company in keeping its team employed and intellectual property intact, so that the Company is ready to quickly scale up when conditions improve.

3. Development of new and existing Merchant revenue streams:

The Company has been developing new products and services which were in the process of being launched using new sales approaches before being put on hold due to the impact of the COVID-19 pandemic.

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 business development opportunities have been limited by measures implemented by authorities to slow the spread of COVID-19, as trading conditions improve the Company plans on restarting these new business development initiatives.

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

During the March Quarter the Company delivered campaigns for RedBalloon and Mövenpick that made 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.

Once the trading conditions improve the Company plans on picking up promising pre-sales conversations that were held prior to the COVID-19 pandemic and 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.

Of note during Q3 FY20, Pepper Leaf has seen a significant increase in demand over recent weeks and the business stands to benefit in the long term from the acceleration in consumers adopting home delivery of groceries and takeaway meals due to the COVID-19 restrictions.

Under the existing partnership, Rewardle has been providing Pepper Leaf with operational support, promoting Pepper Leaf's meal kit service to Rewardle members and is assisting with the development of new opportunities that leverage its operational infrastructure.

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:

The Company intends to continue investing in research and development and will consider using R&D financing services as a component of its cash flow management strategy.

As outlined in the ASX release on 13th November 2019 the Company received \$125k of R&D finance from Radium Capital (Radium) which was based on the Company's Q1 FY20 R&D expenditure.

Discussions with the Radium account management team have confirmed that the Company has the option of financing subsequent expenditure during FY20 if the need arises.

The decision to access further R&D financing from Radium will be made by taking into consideration the loan provided by Executive Chairman, Ruwan Weerasooriya, as outlined below and updates will be provided in the case of the Company entering into formal financing agreements.

#### 6. Ongoing financial support from Directors

As previously announced to ASX, Executive Chairman, Ruwan Weerasooriya, extended an unsecured, interest free loan of up to \$250,000 to \$500,000 to support the Company's working capital needs during this challenging time.

Based on the following management assumptions, funds of \$6k on hand at the start of the current quarter are expected to be adequate to support the ongoing operations of the Company:



- Reductions in operating costs
- Access to government COVID-19 support packages
- Improvements in trading conditions and sales performance of Merchant Services and Brand Partnership revenue streams
- Contributions of 3rd party partnerships
- R&D financing of YTD FY20 activity and Directors loans

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.

## 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.

Date: .....29 April 2020.....

Authorised by: .....The Board of Rewardle Holdings Limited.....  
(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.