

12 May 2020

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

Dear Ms Nevjestic

I refer to your letter dated 7th May 2020 and respond as follows.

1. Does RXH consider that the financial condition of RXH is sufficient to warrant continued listing on ASX as required under Listing Rule 12.2? If the answer is “Yes”, please explain the basis on which RXH has formed the conclusion that the financial condition of RXH is sufficient to warrant continued listing on ASX in accordance with the requirements of Listing Rule 12.2.

Yes, the Company considers that it is compliant with Listing Rule 12.2.

The board is regularly reviewing operating budgets and strategy taking into consideration a variety of commercial and corporate scenarios and opportunities and has formed its view based on the following:

- Ongoing reduction of operating costs
- Access to State and Federal Government COVID-19 support packages
- Improvements in trading conditions and sales performance across Merchant Services and Brand Partnership revenue streams
- Development of corporate partnership opportunities
- Financing of FY20 R&D activities and access to Director loan

Of particular note, the Company anticipates receiving an R&D rebate for FY20 and as previously demonstrated the Company may use R&D financing as part of its cash flow management.

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 Q1 FY20 R&D estimate to support the Radium R&D financing was prepared in consultation with our R&D advisors based on unaudited management accounts.

While it should be noted that the Company and its advisors have not reviewed R&D activity for subsequent periods or commenced with preparation of the FY20 R&D claim, based on the annual run rate implied by the Q1 estimate the Company anticipates an FY20 R&D rebate of between \$500,000 - \$700,000.

While R&D rebates are typically received 3-9 months from the end of Financial Year the Company has the option to use R&D financing to assist with managing cash flow.

In addition to R&D financing option outlined above, Executive Chairman, Mr Ruwan Weerasooriya has provided the Company with an unsecured, interest free working capital loan facility of up to \$500,000.

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 further support on terms yet to be negotiated and agreed.

Further detail with respect to the above points is covered in responses to your additional questions below.

2. If the answer to question 1 is “No”, please provide reasons why, including what steps RXH has taken, or proposes to take, to warrant its continued listing on ASX under the requirements of Listing Rule 12.2.

N/A

3. 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 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 Radium's 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 provided an unsecured, interest free loan of up to \$500,000 to support the Company's working capital needs during this challenging time.

4. 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:

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 and 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:

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

Executive Chairman, Ruwan Weerasooriya, has provided the Company with an unsecured, interest free loan of up 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.

5. 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

6. 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

Yours sincerely

A handwritten signature in blue ink, consisting of a stylized 'R' followed by a long, sweeping horizontal line.

Ruwan Weerasooyria
Executive Chairman



7 May 2020

Reference: ODIN17098

Mr Nicholas Day
Company Secretary
Rewardle Holdings Limited
Suite 5, 95 Hay Street
SUBIACO WA 6008

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

Dear Mr Day

Rewardle Holdings Limited ('RXH'): Financial condition queries

ASX refers to:

- A. RXH's half year accounts for the half year ended 31 December 2019 lodged with ASX Market Announcements Platform and released on 27 February 2020 ('Half Year Accounts') which states in the condensed consolidated statement of cash flows that RXH's cash and cash equivalents at the end of the period was \$27,017 and which includes the following material uncertainty related to going concern:

"Conclusion

We have reviewed the accompanying half-year financial report of Rewardle Holdings Limited (the company), which comprises the condensed statement of financial position as at 31 December 2019, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity, the condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the company is not in accordance with the Corporations Act 2001, including:

- a. giving a true and fair view of the company's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and*
- b. complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.*

Material Uncertainty Related to Going concern

We draw attention to Note 2 Going concern in the half-year financial report which describes the events and conditions which give rise to the existence of a material uncertainty that may cast significant doubt on the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

- B. Note 2 to the consolidated financial statements in the Half Year Accounts, which refers to the material uncertainty related to going concern, with the following note:

"For the financial half-year ended 31 December 2019, the consolidated entity had an operating profit of \$ 30,639 (2018: loss of \$44,096) and net cash used in the operating activities of \$83,558 (2018: \$179,692 cash from operating activities). The ability to continue as a going concern is dependent upon a number of factors, one being the continuation and availability of funds. The financial statements have been prepared on the basis that the consolidated entity is a going concern, which contemplates the continuity of its business, realisation of assets and the settlement of liabilities in the normal course of business."

- C. The Company's total asset position at 31 December 2019, being \$85,397;
- D. The Company's current liability position at 31 December 2019, being (\$967,591);
- E. The Company's net liability position at 31 December 2019, being \$(882,194);

F. RXH's Appendix 4C quarterly report for the period ended 31 March 2020 lodged with the ASX Market Announcements Platform and released on 29 April 2020 (the 'Appendix 4C'), which reported:

- Receipts from customers for the quarter of \$127,000
- negative net operating cash flows for the quarter of \$296,000; and
- cash at the end of the quarter of \$6,000; and

G. RXH's Corporate Governance Statement for 2019 lodged on the ASX Market Announcements Platform on 26 September 2019 which provides confirmation that RXH complies with recommendation 4.2 of the ASX Corporate Governance Principles and Recommendations which states:

"The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively."

H. Listing Rule 12.2 which states:

12.2 An entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.

ASX also notes that:

- RXH announced on 1 April 2020 that its executive Chairman Mr Ruwan Weerasooriyas agreed to extend RXH's current unsecured and interest free working capital loan from \$250,000 to \$500,000; and
- The unsecured and interest free working capital loan is repayable at RXH's discretion when it is in a position to repay.

Request for Information

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 consider that the financial condition of RXH is sufficient to warrant continued listing on ASX as required under Listing Rule 12.2? If the answer is "Yes", please explain the basis on which RXH has formed the conclusion that the financial condition of RXH is sufficient to warrant continued listing on ASX in accordance with the requirements of Listing Rule 12.2.
2. If the answer to question 1 is "No", please provide reasons why, including what steps RXH has taken, or proposes to take, to warrant its continued listing on ASX under the requirements of Listing Rule 12.2.
3. 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?
4. Does RXH expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
5. 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.
6. 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

- I. 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 **9:00 AM AWST Wednesday, 13 May 2020**.
- J. 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.
- K. 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

- L. 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

Vanessa Nevjestic
Adviser, Listings Compliance (Perth)