

ASX ANNOUNCEMENT

31 JULY 2020

Q4 FY20 BUSINESS UPDATE

Key highlights:

- **During the Quarter the Board and Management undertook a strategic and operational review to determine how to best navigate the ongoing impact of the COVID-19 pandemic.** (Please see ASX Announcement "COVID-19 Business Review and Update – 31 July 2020").
- **Customer receipts declined significantly as a result of COVID-19 however this was offset by government support received.**
- **The Company undertook a range of cost reductions initiatives, establishing a reduced underlying operating cost base for the business moving forward.**
- **The Company maintained its investment in Research and Development to extend the capabilities of the Rewardle Platform and commenced preparing its FY20 R&D rebate submission.**
- **Secured support of Executive Chairman, Mr Ruwan Weerasooriya to extend the current unsecured, interest free loan of \$500,000 to \$1m.**

Commenting on the Company's activities during the Q4 FY20, Rewardle founder and Executive Chairman, Ruwan Weerasooriya, said:

"COVID-19 has created a highly uncertain operating environment that the Company must navigate moving forward. While I am grateful for the government support that has been made available, it is important that we take control of our destiny and I have been delighted with how our team has risen to the challenge."

"While we reviewed our strategy and operations to determine how to best navigate the impact of the COVID-19 pandemic we have been able to implement a number of cost reduction initiatives and continued to invest in research and development to extend the capabilities of the Rewardle Platform."

"As we move forward, I have great confidence in our plan to survive and thrive and look forward to working with our team to drive the business towards cash flow break even before the JobKeeper support is removed."

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Quarterly Cash Flow Commentary

Cash receipts from customers for Q4 FY20 were \$85k, a decrease of \$42k or 33% from \$127k for the previous quarter.

During Q4 FY20 government grants and tax incentives of \$104k were received relating to COVID-19 support.

Outgoing cash payments for Q4 FY20 were \$408k, a decrease of \$15k or 3% from \$423k for the previous quarter.

Net cash outflows from operating activities for Q4 FY20 were \$219k, a decrease of \$77k or 26% from \$296k for the previous quarter.

Cash at the end of Q4 FY20 was \$38k.

Cost reduction work undertaken during the quarter will set a lower underlying operating cost base for the business moving forward. In future periods, management expects to realise a reduction of up to 10% across product manufacturing and operating costs and staff costs.

Subsequent to Q4 FY20, Executive Chairman, Mr Ruwan Weerasooriya extended the current unsecured, interest free loan of \$500,000 to \$1m. The loan is repayable at the Company's discretion when it has capacity.

COVID-19 Business review and update

In response to the challenges posed by the COVID-19 pandemic the Company has reviewed its strategy and operations and developed a plan to navigate the business through this challenging period.

The Board and Management has determined that rebuilding Merchant Services(SaaS) revenue will remain challenging until local businesses return to unrestricted trading and the timing of this return is highly uncertain and out of the Company's control.

While the Company is eligible for State and Federal support, including JobKeeper, which provide some short term support, management expects that the impact of COVID-19 will likely extend beyond these programs and a more robust strategy to survive and thrive is required.

The Board and Management have determined that in the short term, the most prudent path forward is to leverage the Company's infrastructure and expertise to generate fee for service income.

While the amount and timing of services income is uncertain, based on the current activity and opportunity pipeline, the Company is confident that it can broadly achieve cash flow break even operations before the end of the JobKeeper program.

(Please see ASX Announcement "COVID-19 Business review and update – 31 July 2020 for further information).

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Working capital management

To support the Company's working capital requirements as the revised strategy is implemented, Executive Chairman, Mr Ruwan Weerasooriyas has extended the current unsecured, interest free, working capital loan of up to \$500,000 to \$1m. The loan is repayable at the Company's discretion when it has capacity.

While the Company is clearly operating in challenging times, management is confident that it will have sufficient working capital to meet its budget objectives for FY21 and beyond based upon:

- Ongoing reduction of operating costs
- Generation of technology licensing and professional services income
- Access to State and Federal Government COVID-19 support packages
- Development of corporate partnership opportunities
- Receipt of FY20 R&D rebate
- Access to R&D financing for FY21 activities
- Access to Director loan
- Improvements trading conditions and sales performance across Merchant Services and Brand Partnership revenue streams

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 millions of Members with thousands of 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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Mobile: 0412448769

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")

30 June 2020

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	85	516
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(167)	(995)
(c) advertising and marketing	(1)	(9)
(d) leased assets	-	-
(e) staff costs	(191)	(797)
(f) administration and corporate costs	(47)	(205)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	4
1.5 Interest and other costs of finance paid	(2)	(22)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	104	909
1.8 Other (provide details if material)	-	56
1.9 Net cash from / (used in) operating activities	(219)	(543)
2. Cash flows from investing activities		
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 (12 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)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
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	251	1,407
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)	-	-
3.10	Net cash from / (used in) financing activities	251	536

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6	45
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(219)	(543)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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)	251	536
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	38	38

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	38	6
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)	38	6

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.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	561	561
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	561	561

7.5 Unused financing facilities available at quarter end

-

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 extended the unsecured, interest free working capital loan facility of \$500,000 to \$561,000. Subsequent to the period, the facility has been extended to \$1m.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(219)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	38
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	38
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	0.17

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 Company expects to have negative operating cash flows but expects these to reduce in coming periods as the combination of cost reduction initiatives, government support and the Company's strategy to generate professional service income take effect and advance the Company's operations towards cash flow breakeven.

- 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 progress of its strategy to supplement existing income streams with the generation of professional services income to achieve 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 subject to demonstrating the successful execution of its strategy to drive 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 raising.

3. FY20 R&D rebate:

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

The Company is in the process of preparing its FY20 R&D submission and expects to receive the rebate in the range of \$500,000 and \$700,000 prior to 31 October 2020.

4. FY21 R&D financing:

Due to its highly strategic nature, the Company is maintaining its commitment to investing in research and development during FY21.

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 cash flow management strategy the Company has previously used an R&D financing facility from Radium Capital (Radium).

Discussions with the Radium account management team has confirmed that the Company has the option of financing subsequent expenditure 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 5 below.

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

5. Director loans

In addition to the points above, Executive Chairman, Ruwan Weerasooriya, has extended the unsecured, interest free loan of up to \$500,000 to \$1,000,000 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 Q4 FY20 Business Update:

- Ongoing reduction of operating costs
- Generation of technology licensing and professional services income
- Access to State and Federal Government COVID-19 support packages
- Development of corporate partnership opportunities
- Receipt of FY20 R&D rebate
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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:31 July 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.