

ASX ANNOUNCEMENT

ASX: CDE | 31st October 2024

CDE makes new milestones pursuing Digital First strategy

- **Disciplined Cost Management and Strategic R&D focus continues**
- **Completed capital raise of gross A\$600,000**
- **Successful integration of ConnectQR into Canva's 180m active base**
- **Key milestone of ~1000 subscribers reached after quarter end**

Brand Solutions Company **Codeifai Limited (ASX: CDE)** presents highlights of activities for the quarter ended 30 September 2024 (Q3 2024).

We pause to recognise the enormous loss of our fellow Director, mentor, supporter and friend Gerard Eakin who sadly passed away earlier this month, he is greatly missed.

Net operating cash consumption for Q3 2024 was \$590k, higher than the PCP and the blended average of 2023. The higher cash consumption for the quarter was mainly driven by reduced cash receipts for the quarter of \$106k, down 49% from the PCP due mainly to the seasonal nature of CDE's historical cash receipts, but highlighted by an increase in Administration and Corporate costs attributable mainly to Half Year compliance costs up 19% from the PCP. The overall result reflects the company's continued focus on stabilising operations with staff costs down 42% from the PCP and maintained at below the 2024 quarterly average. The Company continues with the new growth initiatives, especially the Company's continuation to drive to "Digital First" – a strategic move away from anti-counterfeit towards Brand Solutions through the operation of the [ConnectQR](#) self-service SaaS business launched in H2 2024. A notable highlight this quarter is the company's successful financing activities, resulting in a net inflow of \$568k, a clear indicator of market confidence and successful funding measures.

During Q3, Codeifai secured \$500k cash from equity securities in a 2 stage Capital raise, the second stage of \$100k being from Directors subject to shareholder approval at a forthcoming EGM to be held.

Achievements during the Quarter include integration into Canva

During the quarter the Company announced the vital integration of ConnectQR into the Canva platform (see link to ASX [announcement](#)). This

allows access to the 180 million reported active monthly subscribers to Canva's platform. Since this was launched during the quarter around 31% of new subscribers have been via the Canva platform.

ConnectQR announces vital milestone of near 1000 subscribers post Quarter end

Post the quarter end, the Company announced a vital first milestone for ConnectQR subscriber growth as we near 1000 subscribers to the platform (see link to ASX [announcement](#)).



ConnectQR is CDE's fully self-service SaaS QR code generation and management platform. It is built around a "feature led pricing" freemium entry model, where pricing tiers with volume and functionality.

The offer itself is a high volume, low-price, AI-driven generation and management model with no need for direct sales by CDE staff. Sales will be propelled by sophisticated, targeted SEO (search engine optimisation) campaigns and Google ranking strategy.

The expected net result to CDE is accelerated revenue growth, with a much smoother revenue profile, at minimal incremental cost. Please visit [Connect QR - Customisable QR Code Generator | ConnectQR](#) for further information.

Self-service SaaS QR management is a young but proven B2B market with only a handful of global players. CDE's legacy in sophisticated QR technology and management and the powerful simplicity of the Connect™ platform sees ConnectQR immediately competitively well positioned since product launch. QR code customers wanting to benefit from serialised products or supply chain track'n'trace can simply add modules within the CDE suite. To the best of the company's knowledge, no other QR generation platform has such capabilities.

Webinar Invitation

Invitation to a webinar to explain more about CDE's Digital First strategy will be held on Thursday November 7th 2024 at 11.30 am AEST details will be available at the ASX announcements platform in due course.

Disciplined Cost Management and Investment in R&D

While the company reported operating cash outflows, the prudent management of R&D, marketing, and administration expenses has helped maintain a controlled cash burn rate. This is evident from the strategic allocation of resources:

- R&D costs: \$160k, in line with previous Quarters - focused on enhancing product features and expanding the digital engagement capabilities of [ConnectQR](#).
- Marketing: \$87k, supporting continued promotion of digital solutions, including the upcoming enhancements to [ConnectQR](#).
- Administrative costs: Efficiently managed at \$246k, increased this Quarter mainly due to costs associated with capital raising and expenses associated with the half year compliance, the Company maintains a disciplined approach to corporate expenses.

This quarter, Codeifai concentrated on refining its product offerings, ensuring that customer-centric solutions like ConnectQR and ProtectCode continue to attract and engage users, laying the groundwork for steady revenue growth. As of 30 September 2024, Codeifai's cash and cash equivalents stood at \$85k. Post the quarter end the company has secured further financing through a Corporate advisory mandate signed post the Quarter end with Oakley Capital and a \$2m drawdown facility entered into with Harbour Capital Opportunities Fund. These two initiatives are designed to provide immediate, short and medium term access to sufficient capital to execute the Company's growth strategy.

Future Outlook for “Digital First” strategy is bright

Codeifai continues to focus on strengthening the company's new strategic direction of “Digital First” with a deliberate move away from anti-counterfeit with material science (tracer, scanner and Motif Micro). During the quarter the Company reduced resources dedicated to the further development of Motif Micro and is considering available options for this technology. The indications of the success and the smoothing of revenues through “Digital First” through Connect™ and ConnectQR were the focus of the R&D spend emphasizing

cost-effective product innovation into ConnectQR with the development of a new feature “URL shortening” launched post the quarter end.

Corporate Developments

Throughout the quarter, payments to related parties and their associates amounted to \$55k, reflecting executive remuneration arrangements. These expenditures align with standard compensation structures, ensuring strategic leadership continuity during this pivotal growth phase.

Codeifai Executive Chairman and Group CEO commented:

"It is with great regret and sadness that I reflect on the recent and sudden death of our friend, mentor and fellow Board member Gerard Eakin. Gerard's passing came as a surprise without any indication and has left me and the CDE team personally devastated and the Company having lost a loyal and capable supporter. Q3 2024 marks another quarter of disciplined execution for Codeifai, with our team effectively navigating cash flow management while laying the foundation for future revenue growth. We are pleased with the support of shareholders received during the Quarter."

This announcement has been authorised by the Board of Codeifai Limited.

Ends.

For further information please contact:

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About Codeifai Limited

Codeifai Limited (ASX: CDE) is listed on the Australian Stock Exchange and has developed and sells of a suite of physical, digital and AI-based Brand Solutions with a vast range of applications. Our solutions allow Brands to Connect Deeper, Faster, Smarter with their consumers.

Codeifai's digital Brand Solutions provide a code for everybody and everything.

Appendix 4C

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

Name of entity

Codeifai Limited

ABN

68 108 649 421

Quarter ended ("current quarter")

30 September 2024

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	106	450
1.2	Payments for		
	(a) research and development	(161)	(496)
	(b) product manufacturing and operating costs	(2)	(6)
	(c) advertising and marketing	(87)	(232)
	(d) leased assets	(33)	(118)
	(e) staff costs	(159)	(499)
	(f) administration and corporate costs	(246)	(483)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	2
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Return of deposits from office rentals	-	-
1.9	Other (Refund from legal deposit)	-	-
1.10	Other (GST/VAT refund)	(9)	7
1.11	Net cash from / (used in) operating activities	(591)	(1,375)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(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	Deposit into an escrow account	-	-
2.6	Other (provide details if material)	-	-
2.7	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)	500	533
3.2	Proceeds from issue of convertible debt securities	45	45
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(33)	(44)
3.5	Proceeds from borrowings	59	509
3.6	Repayment of borrowings	-	(113)
3.7	Transaction costs related to loans and borrowings	-	(10)
3.8	Dividends paid	-	-
3.9	Other (Corporate Advisory, Research, investor relations, etc.)	(3)	(23)
3.10	Net cash from / (used in) financing activities	568	897

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	109	568
4.2	Net cash from / (used in) operating activities (item 1.11 above)	(591)	(1,375)
4.3	Net cash from / (used in) investing activities (item 2.7 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	568	897
4.5	Effect of movement in exchange rates on cash held	(1)	(5)
4.6	Cash and cash equivalents at end of period	85	85

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	31	109
5.2	Call deposits	-	-
5.3	Bank overdrafts	54	-
5.4	Other - Undeposited		-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	85	109

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	55
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

7.	Financing facilities <i>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.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Capital raise	-	-
7.2	Loan facilities (including bank overdraft)	70	54
7.3	Other (ATM facility)	35	
7.4	Total financing facilities	105	54
7.5	Unused financing facilities available at quarter end		51
76	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.		
<div>Answer: The company has used a temporary overdraft facility for a maximum period of 30 days with an interest rate of 10.72% on a limit of \$70,000. The facility was repaid in full prior to 31st October 2024. The Lender is NAB, the Company's Bank. On 7 October 2024, the Company has utilised its At-The-Market Subscription facility with Dolphin Corporate Investments, to raise \$34,965 after costs by agreeing to issue 37,000,000 fully paid ordinary CDE shares to DCI at an issue price of \$0.000945 per share. Note to Items 7.3 (above) The Company established an "At-The-Market" (ATM) Facility with Dolphin Corporate Investments (DCI) announced to the market on 2/11/2023 also being the ATM establishment date. The facility is equity based and limited to \$2m. The actual facility capacity is a function of share price and available capacity over a request and option exercise period. The actual facility capacity will change up or down over time. The Company may not sell shares through the facility to DCI above the maximum AUD\$2m which operates as a cap on the facility. The Company cannot request DCI to exercise its option to buy shares at or above the Company's nominated floor price (the Company has discretion). DCI has the right to decline an option request or may only partially exercise its option to buy shares (it is DCI's decision to buy once YPB Group Limited has made the request). Whilst an ATM is a "facility" it is also a "sold contingent option", contingent on the company activating the option and DCI exercising that option, and the Appendix 4C does not properly cater for the cashflow from options, or potential future placements that are subject to prevailing placement capacity that may or may not require shareholder approval which may not be obtained. In keeping with Australian Accounting Standards and the intent of 4C reporting, the Company has reported use of the ATM facility amount in item 7.3, to ensure it is giving a true and fair view of facility positions that have conditions precedent for the funding used and to be attained.</div>			

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.11)	(591)
8.2	Cash and cash equivalents at quarter end (item 4.6)	85
8.3	Unused finance facilities available at quarter end (item 7.5)	51
8.4	Total available funding (item 8.2 + item 8.3)	136
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.23
<p><i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i></p>		
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	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?	
	<div style="border: 1px solid black; padding: 5px; min-height: 30px;"> Yes </div>	
8.6.2	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?	
	<div style="border: 1px solid black; padding: 5px; min-height: 100px;"> Yes, the Company has entered into a Corporate advisory mandate with Oakley Capital partners Pty Ltd which is structured to provide the Company's immediate, short and medium term capital needs. Additionally the Company has entered into a \$2m drawdown facility through Harbour Capital Opportunities Fund Pty Ltd which is able to be accessed for drawdowns of \$250,000 following approval by shareholders at an upcoming General Meeting. Drawdowns from the facility are convertible at the Lenders discretion and repayable at the Company's discretion. </div>	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	<div style="border: 1px solid black; padding: 5px; min-height: 30px;"> Yes, based on the answers provided in the answer to 8.6.2 </div>	
<p><i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i></p>		

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 October 2024

Authorised by: The board of Directors

(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 – e.g., *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.