

Appendix 4E

Preliminary Final Report to the Australian Securities Exchange

Part 1

Name of Entity	Rewardle Holdings Limited
ABN	37 168 751 746
Financial Year Ended	12 months ended 30 June 2019
Previous Corresponding Reporting Period	12 months ended 30 June 2018

Part 2 – Results for Announcement to the Market

	\$'000	Percentage increase /(decrease) over previous corresponding period
Revenue from ordinary activities	2,438	(6%)
Loss from ordinary activities after tax attributable to members	(928)	(63%)
Net loss attributable to members	(928)	(63%)

Dividends (distributions)	Amount per security	Franked amount per security
Final Dividend	Nil	Nil
Interim Dividend	Nil	Nil
Record date for determining entitlements to the dividends (if any)	Not Applicable	

Brief explanation of any of the figures reported above necessary to enable the figures to be understood:
Not applicable

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Part 3 – Contents of ASX Appendix 4E

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Part 4 – Consolidated Statement of Profit or Loss and Comprehensive Income

	Part	Year Ended 30 June 2019 \$	Year Ended 30 June 2018 \$
Revenue			
Rendering of services		1,350,188	1,600,260
Other revenue from ordinary activities	9(a)	1,088,254	1,005,690
Expenses			
Consulting fees		(307,031)	(522,940)
Depreciation		(5,525)	(52,709)
Employee benefits expense		(1,660,274)	(2,842,046)
IT equipment		(36,640)	(150,639)
Legal fees		(24,845)	(26,772)
Merchant and member network costs		(127,041)	(108,694)
Share based payments		-	(12,563)
Other expenses from ordinary activities	9(b)	(1,205,649)	(1,420,000)
Loss before income tax expense		(928,563)	(2,530,413)
Income tax expense		-	-
Loss after income tax for the year		(928,563)	(2,530,413)
Other comprehensive income		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss attributable to members of Rewardle Holdings Limited		(928,563)	(2,530,413)

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Part 5 – Consolidated Accumulated losses

	Year Ended 30 June 2019 \$	Year Ended 30 June 2018 \$
Accumulated losses at the beginning of the year	(21,213,243)	(18,682,830)
Loss for the year	(928,563)	(2,530,413)
Transfer from options reserve	3,038,065	-
Accumulated losses at the end of the year	<u>(19,103,741)</u>	<u>(21,213,243)</u>

Part 6 – Consolidated Statement of Financial Position

	30 June 2019 \$	30 June 2018 \$
ASSETS		
Current Assets		
Cash and cash equivalents	44,927	62,365
Trade and other receivables	108,095	183,336
Total Current Assets	<u>153,022</u>	<u>245,701</u>
Non-Current Assets		
Trade and other receivables	-	-
Plant and equipment	3,132	8,657
Total Non-Current Assets	<u>3,132</u>	<u>8,657</u>
Total Assets	<u>156,154</u>	<u>254,358</u>
LIABILITIES		
Current Liabilities		
Trade and other payables	812,727	624,731
Unearned income	136,459	397,976
Provisions	119,801	188,034
Total Current Liabilities	<u>1,068,987</u>	<u>1,210,741</u>
Total Liabilities	<u>1,068,987</u>	<u>1,210,741</u>
NET ASSETS/(LIABILITIES)	<u>(912,833)</u>	<u>(956,383)</u>
EQUITY		
Issued capital	18,190,908	17,218,795
Reserves	-	3,038,065
Accumulated losses	<u>(19,103,741)</u>	<u>(21,213,243)</u>
TOTAL EQUITY	<u>(912,833)</u>	<u>(956,383)</u>

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Part 7 – Consolidated Statement of Cash Flows

	Year Ended 30 June 2019 \$	Year Ended 30 June 2018 \$
Cash flows from operating activities		
Receipts from customers	1,164,226	1,700,089
Payments to suppliers and employees	(3,000,593)	(4,919,235)
Interest received	2	2,250
R&D tax offset refund received	1,088,252	1,003,440
Net cash (used in) operating activities	<u>(748,113)</u>	<u>(2,213,456)</u>
Cash flows from investing activities		
Payment for plant and equipment	-	(6,926)
Payment for intangible asset	-	(44,220)
Payment of security deposit	-	(2,490)
Proceeds from release of security deposits	4,680	-
Net cash (used in) investing activities	<u>4,680</u>	<u>(53,636)</u>
Cash flows from financing activities		
Proceeds from issue of shares	94,675	2,161,746
Payment of capital raising costs	(18,680)	(47,298)
Proceeds from borrowings	650,000	200,000
Repayment of borrowings	-	(200,000)
Net cash provided by financing activities	<u>725,995</u>	<u>2,114,448</u>
Net (decrease)/increase in cash held	(17,438)	(152,644)
Cash at the beginning of the financial year	62,365	215,009
Cash at the end of the financial year	<u>44,927</u>	<u>62,365</u>

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Part 8 – Basis of Preparation

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

Part 9 – Loss from Ordinary Activities

The loss from ordinary activities before income tax includes the following items of revenue and expense:

	Year Ended 30 June 2019	Year Ended 30 June 2018
	\$	\$
REVENUES AND EXPENSES		
(a) Other revenue		
Interest	2	2,250
Research and development tax incentive	1,088,252	1,003,440
	<u>1,088,254</u>	<u>1,005,690</u>
(b) Other expenses		
Audit fees	39,500	36,000
Company secretarial and accounting	104,355	22,366
Doubtful debt expense	80,808	85,124
Sales commission and service fees	360,416	580,199
Rent	128,317	148,709
Other	492,253	547,602
	<u>1,205,649</u>	<u>1,420,000</u>

Part 10 – Commentary on Results

The loss for the consolidated entity after providing for income tax amounted to \$928,563 (2018: 2,530,413). During the year, the Company implemented a number of cost reduction initiatives that aligned operating costs with revenue generation. While the Company experienced a marginal decline in the revenue of 6% compared to the previous year, expenses were reduced by 34%. The combination of operating results and FY18 R & D rebate of \$1,088,254 resulted in a 63% reduction in the net losses compared to the previous year. The Company is continuing to invest in enhancing the capability of the Rewardle Platform and while working to grow the Company's existing revenue streams, management is working on the development of new revenue opportunities through a variety of approaches including building, partnering and acquisition.

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Part 11 – Notes to the Consolidated Statement of Cash Flows

	Year Ended 30 June 2019 \$	Year Ended 30 June 2018 \$
(a) Reconciliation of cash:		
For the purposes of the Statement of Cashflows, cash includes cash on hand, and in banks, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the Balance Sheet as follows:		
Cash and cash equivalents	44,927	62,365
Cash on hand and at bank	44,927	62,365
(b) Reconciliation of loss for the year to net cash flows from operating activities:		
Loss for the year	(928,563)	(2,530,413)
<i>Non-cash flows in loss:</i>		
Depreciation and amortization	5,525	52,709
Recognition of expected credit losses	80,808	85,124
Equity settled share-based payments	120,244	150,357
<i>Changes in assets and liabilities:</i>		
Increase in trade and other receivables	(10,244)	(71,515)
Increase/(Decrease) in trade and other payables	52,350	80,907
Increase in provisions	(68,233)	19,375
Net cash outflows from operating activities	(748,113)	(2,213,456)

Part 12 – Details Relating to Dividends

Date the dividend is payable	N/A
Record date to determine entitlement to the dividend	N/A
Amount per security	N/A
Total dividend	N/A
Amount per security of foreign sourced dividend or distribution	N/A
Details of any dividend reinvestment plans in operation	N/A
The last date for receipt of an election notice for participation in any dividend reinvestment plans	N/A

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Part 13 – Loss per Share

	Consolidated	
	Year Ended 30 June 2019	Year Ended 30 June 2018
Basic (loss) per share	(0.21 cents)	(0.83 cents)
Weighted average number of ordinary shares used in the calculation of basic (loss) per share	446,798,614	304,854,794
As the Company is in a loss position there is no diluted earnings per share calculated.		

Part 14 – Net Tangible Assets per Security

	30 June 2019	30 June 2018
Net tangible asset backing per ordinary security (cents)	(0.17)	(0.29)

Part 15 – Details of Entities Over Which Control has been Gained or Lost

Name of entity	Nil
Date deregistered	Nil
Contribution of the controlled entity (or group of entities) to the profit/(loss) from ordinary activities during the period, from the date of gaining or losing control	Nil
Profit (loss) from ordinary activities of the controlled entity (or group of entities) for the whole of the previous corresponding period	Nil
Contribution to consolidated profit/(loss) from ordinary activities from sale of interest leading to loss of control	Nil

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Part 16 – Details of Associates and Joint Venture Entities

	Ownership Interest		Contribution to net profit/(loss)	
	30/06/19 %	30/06/18 %	Year ended 30/06/19 \$A'000	Year ended 30/06/18 \$A'000
Name of entity	N/A	N/A	N/A	N/A
Associate	N/A	N/A	N/A	N/A
Joint Venture Entities	N/A	N/A	N/A	N/A
Aggregate Share of Losses	N/A	N/A	N/A	N/A

Part 17 – Issued Securities

	30 June 2019 \$	30 June 2018 \$
Share capital		
526,321,488 (30 June 2018: 331,168,066) fully paid ordinary shares	<u>18,190,908</u>	<u>17,218,795</u>
<i>The following movements in issued capital occurred during the period:</i>		
	Year Ended 30 June 2019	Year Ended 30 June 2018
	Number of Shares	Number of Shares
Balance at beginning of the year	331,168,066	188,435,949
Issued for cash at 1.5 cents each	-	134,597,106
Issued for cash at 1.2 cents each	-	4,609,485
Issued for cash at 1.0 cent each	-	3,525,526
Issued pursuant to entitlement offer	184,365,054	-
Issued in lieu of salaries and fees	10,788,368	-
	<u>526,321,488</u>	<u>331,168,066</u>

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Part 18 – Segment Information

The Group has identified its operating segments based on the internal reports that are used by the Board (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The Board as a whole will regularly review the identified segments in order to allocate resources to the segment and to assess its performance.

The Board considers that the Group has only operated in one segment, being operating as a Digital Customer Engagement platform for local SME merchants.

Where applicable, corporate costs, finance costs, and interest revenue are not allocated to segments as they are not considered part of the core operations of the segments and are managed on a Group basis.

The consolidated entity is domiciled in Australia. All revenue from external customers is generated from Australia only. Segment revenues are allocated based on the country in which the project is located.

Revenues were not derived from a single external customer.

Part 19 – Going Concern

For the year ended 30 June 2019 the consolidated entity had an operating net loss of \$928,563 (2018: \$2,530,413), net cash outflows from operating activities of \$748,113 (2018: \$2,213,456) and net current liabilities of \$915,965 (2018: net current liabilities of \$965,040).

The ability to continue as a going concern is dependent upon a number of factors, one being the continuation and availability of funds. The consolidated entity has prepared the financial report 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.

In determining that the going concern assumption is appropriate, the Directors have had regard to:

- The Group cashflow forecast shows a positive cash position for a period extending beyond twelve months from this report.
- Forecast revenue from Merchants paying monthly subscription fees;
- Forecast revenue from brand partnerships;
- Forecast increase in the revenue resulting from strategic partnership agreements for the provision of technology, marketing, operational support and corporate strategy services to Pepper Leaf, SportsPass, and Beanhunter.
- Further reductions in the underlying cost base (primarily through employee costs, improved technology efficiencies and other operating cost reductions);
- Receipt of research and development tax incentive rebates;
- Opportunities to monetise of the Membership base;
- Being able to raise capital as equity; and
- Access to loans which Directors may elect to provide on terms yet to be negotiated and agreed.

The consolidated entity's ability to continue to operate as a going concern is dependent upon the items listed above. Should these events not occur as anticipated, the consolidated entity may be unable to continue as a going concern and may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in this financial report.

Part 20 – Subsequent events

The company has entered into a strategic partnership with the following companies:

- (i) Pepper Leaf, a profitable, Australian owned and operated subscription-based meal kit delivery service based in Melbourne.
- (ii) SportsPass, a small, profitable business that provides rewards and benefits programs to sporting groups around Australia and
- (iii) Beanhunter, Australia's leading online community for independent cafes and coffee lovers.

Rewardle will assist these companies in growing their businesses through provision of technology, marketing, operational support and corporate strategy services. Rewardle will be compensated for the provision of services through a combination of options to acquire shares in the respective companies and service fees payments. These companies will pay Rewardle cash fees for a variety of business services based on mutually agreed time and materials rates.

The Company established a financing facility for its FY19 R&D activity with specialist R&D lender Radium Capital (Radium) and received \$596,818. The financing facility established with Radium allows the Company to manage the cash flow asymmetry associated with the timing difference between investment in research and development activity and receipt of the R&D refund.

The Agreement with Radium is based on standard terms customary for this type of financing facility including the following key terms:

- Loan amount: \$596,818
- Security: Rewardle's FY19 R&D rebate
- Interest rate: 15% PA
- Maturity date: Earlier of 31 October 2019 or receipt of FY19 R&D rebate

The Company is in the process of completing its FY19 R&D claim which when processed will retire the Radium loan and provide additional working capital to support managements goal of achieving consistent cash flow positive operations.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Part 21 – Audit/Review Status

This report is based on accounts to which one of the following applies: (Tick one)			
The accounts have been audited		The accounts have been subject to review	
The accounts are in the process of being audited or subject to review	✓	The accounts have not yet been audited or reviewed	

If the accounts have not yet been audited and are likely to contain an independent audit report that is subject to a modified opinion, emphasis of matter or other matter paragraph, a description of the modified opinion, emphasis of matter or other matter paragraph:

The financial report indicates that the Company incurred a net loss of \$928,563 during the year ended 30 June 2019 and, as of that date, the Company's current liabilities exceeded its total assets by \$912,833. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.