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ASX Release

29 July 2020

Quarterly Activities Report & Appendix 4C

Financial Highlights

- Second consecutive quarter of positive cash flow from operations ($0.2 million for the June quarter)
- Unaudited FY20 consolidated revenue of $7.4 million (up 55% on FY19)
- Positive underlying H2 FY20 EBITDA achieved (unaudited)
- Solid cash position at end of FY20: $3.4 million and no debt

Operating Highlights

- ReadCloud now has over 112,000 users on its platform (up 40% from the end of FY19) across 360 schools and educational institutions
- In the June quarter an additional 5 new Direct schools signed up to the platform for delivery of the full school curriculum in 2021
- 2 New Resellers signed up during the June quarter and discussions continuing with other potential new Resellers
- Strong pipeline of new schools for 2021

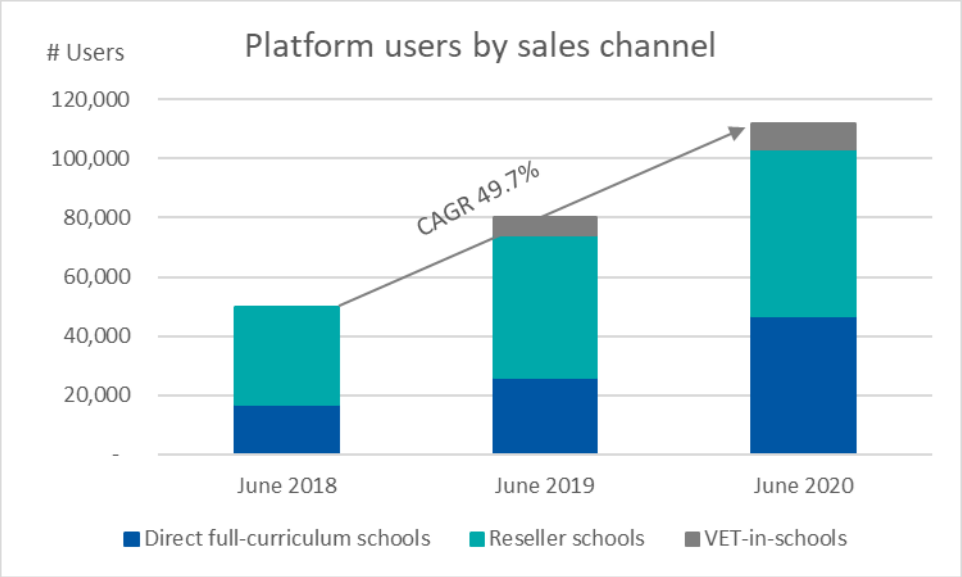
ReadCloud Limited ("ReadCloud" or "the Company") (ASX: RCL, RCLO) is the leading provider of digital eLearning solutions to secondary schools and the Vocational Education and Training ("VET") sector in Australia. The Directors of ReadCloud are delighted to report a second consecutive positive operational cash flow quarter, record cash receipts for the full-year and positive underlying H2 FY20 EBITDA (unaudited), finishing the financial year strongly and entering FY21 with a strong growth pipeline.

ReadCloud provides schools with one SaaS based e-Learning application that delivers a school's complete eBook and digital resource requirements. The ReadCloud platform operates on all major hardware and operating systems and is accessible from any device online and off-line. The platform provides secure tailored content provisioning with sophisticated student analytics and integrates with school timetabling systems, enabling automated provisioning of resources to new students by class.

Operational update

ReadCloud now has over 360 school customers and educational institutions with over 112,000 users on its platform (up 40% from the end of FY19) split by sales channel as shown below.

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The COVID-19 pandemic has not had any significant impact on ReadCloud in FY20 as schools had already purchased their books for this year, however, the pandemic and resultant need for schools to have remote learning contingency plans has heightened interest in the ReadCloud platform for 2021 from both potential new direct school customers and Reseller partners.

Despite being outside the school selling season, an additional 5 new Direct schools signed up to the ReadCloud platform in the June quarter for delivery of the full curriculum in 2021, taking the total of early sales to new Direct schools for 2021 to 10. With the traditional selling season for the next school year ordinarily commencing in the mid-to-late September quarter, these new schools provide a good headstart on budgeted revenue growth for FY21.

During the June quarter ReadCloud signed up 2 new Reseller partners, Western Australia-based Ziggies Educational Supplies which currently supplies booklisting services to over 300 Western Australian schools, and Victorian-based Lilydale Books which currently supplies booklisting services to circa 30 Victorian schools. ReadCloud's sales team is now actively working with these new partners to jointly promote the ReadCloud eReading solution to both existing and potential new school customers of these Resellers. Discussions with other potential new Resellers are continuing in the current quarter.

The enrolment process for ReadCloud's Vocational Education and Training–in schools ("VET") business for 2020 was completed in the June quarter, with nearly 9,000 students now enrolled in over 40 different VET courses. The vast majority of these courses run over 2 years, resulting in a large proportion of revenue being "locked in" for 2021. Whilst the sales cycle for VET-in-schools does not ordinarily commence until late in the school year for the following school year, the sales team has already signed up several new schools for delivery of VET courses in 2021.

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Management believes the Company is well placed for strong growth leading into the selling season for the 2021 school year given the headstart provided by recent new school wins, the increased focus of schools on digital education solutions in general and increased interest in our solution in particular.

Platform Update

Significant further platform development was undertaken during the June quarter, including the development of new features and automation of back-end processes to improve scalability and reduce the time to on-board new schools. New platform features, either in development or released to customers, during the quarter include:

- text to speech, enabling teachers and students to select text in an eBook and have it read or translated for them in any language;
- real-time social annotations, enabling annotations and comments added to an eBook by a teacher or student to be shared with the class cohort on a real-time basis;
- advanced reading analytics that provide a class teacher with insights (in the form of "heat-maps") into which pages of an eBook students are spending the most time on; and
- a new eBook quoting and ordering system developed to streamline the production and processing of sales quotes to school customers.

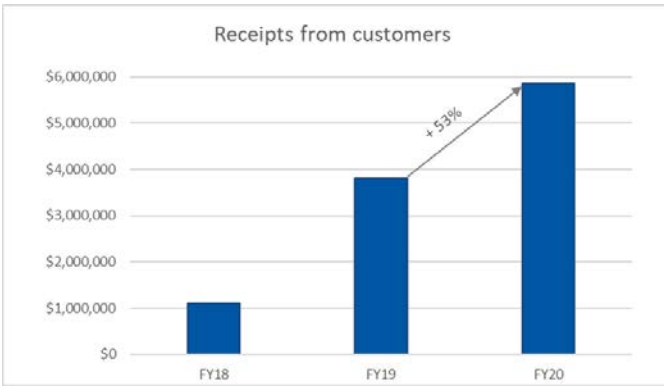
Finance Update

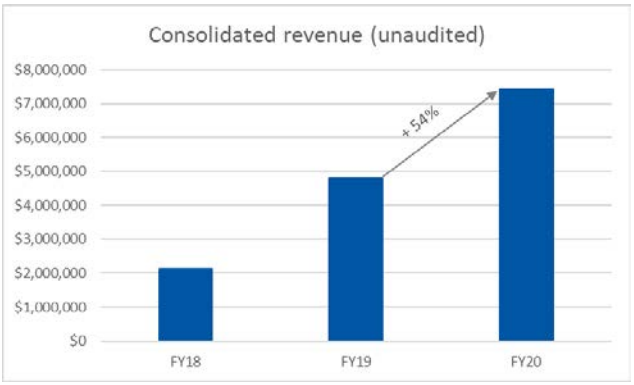
Key points from the accompanying Appendix 4C Cash Flow Statement:

- Cash receipts from customers in the June quarter of $2.1 million, bringing total cash receipts from customers for FY20 to $5.9 million (an increase of 53% over FY19);

- Cost of sales (payments to publishers) for the June quarter was $965,000, relating to eBook sales during the March and June quarters; and

- Staff costs for the June quarter were $593,000, including payments to related parties of $152,000 (Directors' remuneration for the June 2020 quarter).





ReadCloud has recorded unaudited consolidated revenue for FY20 of $7.4 million, up 54% from FY19 consolidated revenue of $4.8 million. Subject to audit confirmation, underlying EBITDA for H2 FY20 (after adding back the effect of certain non-operating and/or non-cash items) is expected to be positive.

The Company is also pleased to note that it has increased average revenue per user from $28 in FY17 to $65 in FY20 (excluding schools at 30 June 2020 that are using but not paying for the ReadCloud software in FY20 but have entered into multi-year contracts for 2021 and onwards), representing compound annual growth of 35.6% over the last 3 years.

As at 30 June 2020 the Company had cash reserves of $3.4 million and no debt, with circa $0.4 million expected to be received in the September 2020 quarter from its R&D Tax claim for FY20. The Company has delivered positive cash flows in the last two quarters.

The Company's Appendix 4C Cash Flow Statement accompanies this report.

-Ends-

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About ReadCloud Limited

ReadCloud is the leading provider of eLearning software solutions, including eBooks, to Schools and the Vocational Education and Training (VET) sector in Australia. ReadCloud's proprietary eBook platform delivers digital content to students and teachers with extensive functionality, including the ability to make commentary in, and import third party content into eBooks.

Students and teachers can share notes, questions, videos and weblinks directly inside the eBooks turning the eBook into a place for discussion, collaboration and social learning, substantially improving learning outcomes.

ReadCloud sources content for its solutions from multiple publishers, delivering the full Australian school curriculum in digital form in all States, on one platform. In the Vocational Education and Training (VET) sector, ReadCloud provides over 40 digital VET courses and auspicing services to schools across Australia.

ReadCloud currently has over 112,000 users on its platform.

Appendix 4C

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

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Name of entity

ReadCloud Ltd

ABN	**Quarter ended ("current quarter")**
44 136 815 891	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	2,119	5,852
1.2	Payments for		
	(a) research and development	(186)	(721)
	(b) product manufacturing and operating costs	(965)	(2,658)
	(c) advertising and marketing	(13)	(289)
	(d) leased assets	-	-
	(e) staff costs	(593)	(2,861)
	(f) administration and corporate costs	(175)	(827)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	3
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	393
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**187**	**(1,108)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	(360)
	(b) businesses	-	-
	(c) property, plant and equipment	(5)	(92)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
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**	**(5)**	**(452)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	30	2,030
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	-	(150)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
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**	**30**	**1,880**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	3,176	3,068
4.2	Net cash from / (used in) operating activities (item 1.9 above)	187	(1,108)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(5)	(452)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	30	1,880
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**3,388**	**3,388**

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	3,388	3,176
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)**	**3,388**	**3,176**

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	152
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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

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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	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	-	-

7.5	**Unused financing facilities available at quarter end**	N/A

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.

N/A

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (Item 1.9)	187
8.2	Cash and cash equivalents at quarter end (Item 4.6)	3,388
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	3,388
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	N/A as positive cashflow for quarter

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

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?

Answer: N/A

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?

Answer: N/A

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: N/A

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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: 29 July 2020

Authorised by the Board

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.

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