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ASX ANNOUNCEMENT 21 OCTOBER 2020

SEPTEMBER 2020 QUARTERLY ACTIVITIES REPORT

Collaborate Corporation Limited (ASX:CL8) is pleased to present its consolidated cash flow report and business update for the quarter ended 30 September 2020.

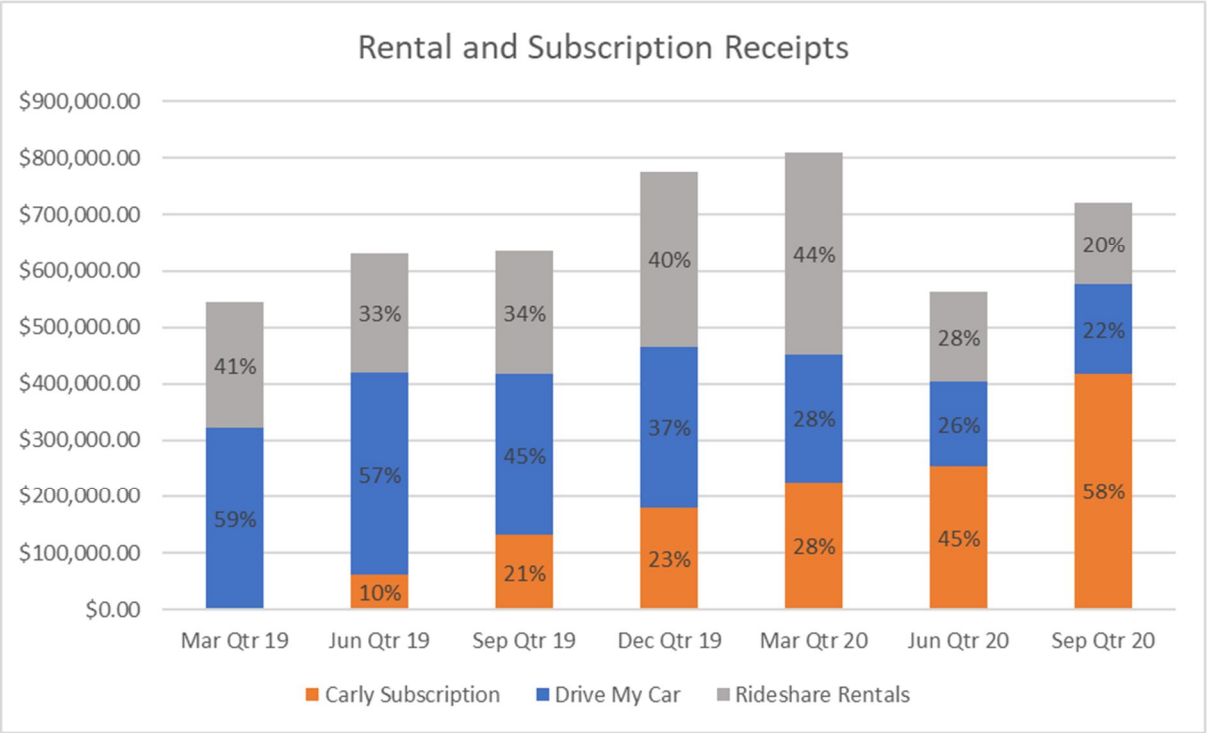
Key highlights include:

+ 64% increase in Subscription Transaction Value vs. June 2020 Quarter and 218% increase vs. September 2019 Quarter
+ 28% increase in Live Subscriptions at 30 September 2020 vs. 30 June 2020 and 221% increase vs. 30 September 2019
+ **Carly** Subscription increased to 58% of Rental & Subscription Receipts in the September 2020 Quarter vs. 45% in June 2020 Quarter
+ 28% increase in Subscription & Rental Transaction Value vs. June 2020 Quarter as rental and rideshare rental revenue start to rebound from COVID-19 induced declines
+ 18% increase in Total Gross Revenue vs. June 2020 Quarter
+ 32% increase in Net Rental Days Realised vs. June 2020 Quarter and 22% increase vs. September 2019 Quarter
+ 35% increase in Receipts from Customers vs. June 2020 Quarter
+ 15% decrease in Advertising and Marketing costs vs. June 2020 Quarter
+ 13% decrease in Product and Operating costs vs. June 2020 Quarter
+ 18% decrease in Admin and Corporate costs vs. June 2020 Quarter
+ 11% decrease in Staff costs vs. June 2020 Quarter
+ 29% decrease in Net Cash used vs. June 2020 Quarter
+ Favourable Product Ruling secured from the Australian Taxation Office
+ Turners Subscription, powered by **Carly**, launched in New Zealand.

Collaborate continued to rebound from the impact of COVID-19, with all revenue streams recovering and notably car subscription transaction value increasing 64% vs. the June 2020 Quarter, to reach 58% of total transaction value. This performance validates Collaborate's decision to shift focus towards the high potential car subscription market and positions the Company well to benefit from the generational shift in car use and access preferences, which continues to accelerate in the current recessionary economic climate.

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On 27 August 2020, Collaborate announced that **Carly** car subscription secured a product ruling from the Australian Taxation Office (ATO) that provides a clear framework for **Carly** subscribers using cars for business or work purposes to claim tax deductions. The ATO Product Ruling is exclusive to **Carly** and sets the benchmark for the car subscription category. It does not provide coverage to any other car subscription offering. As a result, **Carly** is the only car subscription offering that can currently provide certainty of tax deductibility on car subscription payments. Because **Carly**'s subscription model differs from a traditional finance or purchase model, the Company worked with the ATO to obtain a product ruling on its car subscription service. The ATO Product Ruling (PR 2020/11), which applies from 26 August 2020, ensures subscribers can claim the car subscription payments as a tax deduction when the subscription is used for business or work purposes. Importantly, the ruling covers individuals as well as businesses, which will be critical as **Carly** extends its offering into the significant business market. The ATO Product Ruling is specific to **Carly** and provides a number of benefits for individuals and businesses.

On 23 September 2020, Collaborate announced that Turners Automotive Group (ASX: TRA; NZX: TRA), Collaborate's third largest shareholder, launched Turners Subscription in New Zealand. The car subscription proposition is supported by the **Carly** subscription platform under a licensing agreement and follows Turners' $1 million strategic investment in Collaborate in July 2019. Turners has committed to supply a minimum of 200 vehicles to the Turners Subscription fleet within six months of launch, sourced from their own stock and from partners including automotive dealers, manufacturers and fleet managers. **Carly** will generate income from a platform licence fee based on subscription revenue, and from custom technology development and the provision of customer service assistance to Turners Subscription. Turners Subscription has also received a NZ Government co-funding boost of almost $100,000, which will allow it to add a fleet of ten electric vehicles to its new subscription offer. The subscription proposition is branded 'Turners Subscription' to leverage the strong brand recognition in New Zealand and reflect the increasing importance of flexible mobility solutions to Turners Automotive's revenue streams. Through the licensing agreement with Turners and its own **Carly**-branded offering in Australia, **Carly** is the only car subscription service provider operational in Australia and New Zealand. The licensing arrangement and launch in New Zealand enables Collaborate to leverage its existing

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investment in the technology platform supporting **Carly**, and access a substantial new market with the support of Turners.

Consolidated Cash Flows

Receipts from Customers increased 35% in the September 2020 Quarter vs. the June 2020 Quarter, supported by strong growth of **Carly** car subscription. This result compares favourably with the December 2019 Quarter, which benefited from peak holiday season car rental demand and the March 2020 Quarter, which included the receipt of a lump sum payment from Turners Automotive for the development of the subscription proposition in New Zealand and a payment from Hyundai Australia.

Material reductions in Advertising & Marketing, Product & Manufacturing, Admin & Corporate and Staff costs resulted in a 29% decrease in Net Cash Used in Operating Activities.

Payments to related parties and their associates in the September 2020 quarter of $67,000 related to remuneration of executive and non-executive directors for the period.

Corporate

On 31 August 2020, Collaborate announced a non-renounceable entitlement issue to shareholders of up to 383,917,498 new fully paid ordinary shares at an issue price of $0.009 each, together with free attaching options on a one-for-five basis, with an exercise price of $0.015 per option and expiry date of 31 October 2022 to raise up to approximately $3,455,257, before costs. The Company lodged a prospectus for the Offer (Prospectus) with ASIC and ASX on 14 September 2020. The Offer is partially underwritten up to $2,080,000 by existing shareholders of the Company, namely SG Fleet Management Pty Ltd and Willoughby Capital Pty Ltd as trustee for the Willoughby Capital Trust, a related party of director Stephen Abolakian, alongside directors of the Company, namely Adrian Bunter and Chris Noone, and Chief Operating Officer, Ben Hershman. No fees are payable to the Underwriters for the underwriting commitments. In relation to Willoughby Capital, the $850,000 Financing Facility provided by Willoughby Capital to the Company, together with accrued interest of $125,782 to 30 October 2020, will be used to offset its underwriting commitments under the Entitlement Issue. Upon completion of the Entitlement Issue, the Company will have nil debt. The funds raised from the Offer are currently intended to be used towards funding for customer acquisition, sales and marketing activities, and marketplace growth, working capital and general corporate purposes and expenses of the Offer.

Collaborate announced the closing of a Small Holdings Sale Facility announced on 6 July 2020. The Facility was provided to enable shareholders with Small Holdings to sell their shares at a price of $0.009 per share without having to use a broker or pay brokerage or handling costs. In accordance with the Company's Constitution and the ASX Listing Rules, Small Holdings, with a market value of less than $500, were determined to be any registered shareholding of less than 71,429 shares based on the closing price of CL8 Shares of $0.007 on the Record Date. The Record Date, for the purposes of determining shareholders who were eligible to sell their Small Holdings through the Facility (Eligible Shareholders), was 5:00 pm (AEST) on 15 May 2020. Existing shareholders of the Company agreed to purchase the Small Holdings from Eligible Shareholders under the Facility, namely SG Fleet, alongside CEO and Director, Chris Noone. Following completion of the Small Holdings Sale Facility, the Company had 769 shareholders and expects a reduction in administrative costs, including printing and mailing costs and share registry expenses.

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Cash Balance at Quarter End and Funding

At the end of the September 2020 Quarter, the Company maintained a cash balance of $711,000.

As noted above, the Company is presently undertaking an Entitlement Issue to raise up to $3.455 million, which is partially underwritten up to $2.080 million by existing shareholders and officers of the Company (including offset of the $850,000 Financing Facility, together with accrued interest of $125,782 to 30 October 2020 by Willoughby Capital against commitments under the offer). The Entitlement Issue is due to close on 23 October 2020 and securities are expected to be issued on or around 30 October 2020.

The Directors closely monitor cash flows and funding requirements and are assessing all funding alternatives, which may include a placement to strategic and/or high-net-worth investors to ensure that the Company can continue to pursue the growth opportunities of the businesses. In response to the potential impact of COVID-19, Collaborate has taken a prudent approach to cash management and proactively implemented a range of cost saving measures.

Subsequent Events

On 20 October 2020, Collaborate announced the intention to change the Company's name to 'Carly Holdings Limited' and consolidate the Company's issued capital. Both proposals are subject to shareholder approval at its Annual General Meeting (AGM), to be held on 19 November 2020. The Directors hold the view that the new company name better reflects the core operations of the business. The Company's ASX listing code "CL8" will remain unchanged. The Board also proposes to seek approval from shareholders at the AGM for a consolidation of the issued capital of the Company through the conversion of every twenty five (25) existing securities into one (1) security (Consolidation). The purpose of the Consolidation is to implement a more appropriate capital structure for the Company going forward. The Company has a large number of shares on issue due to the long history of the listed entity prior to it acquiring the **DriveMyCa**r business and historical equity-based capital raisings that have provided working capital to-date. The Board considers that the Consolidation is important and necessary to provide the best platform for growth, with a capital structure that is more reflective of the Company's size and a share price level that is more attractive to investors.

The Company lodged the Notice of Meeting for the AGM with ASX on 20 October 2020. The Notice of Meeting can be viewed and downloaded from the Company's website at https://collaboratecorp.com/investor-relations/asx-announcements/. The Company strongly encourages Shareholders who are not able to attend the AGM in person to lodge a directed proxy form prior to the Meeting.

On 19 October 2020, Collaborate announced that it signed an agreement with Genesis Motors Australia to offer the luxury Genesis range of vehicles on the **Carly** and **DriveMyCar** Platforms. The vehicles will be available for premium rideshare rental and car subscription customers from the newly opened Genesis Test Drive Centre in Parramatta. The collaboration with Genesis will initially launch with G80 models, with plans to expand the model range in the future.

Strategic Direction

While many businesses continue to be severely impacted by COVID-19, Collaborate's efforts to reposition itself over the past 12 months have prepared it well to deal with the

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current challenges, benefit from economic uncertainty and leverage opportunities brought about by longer term structural change in the automotive market. **Carly** car subscription is an alternative to finance or outright purchase of a vehicle and provides consumers and businesses with the ability to access vehicles they require without long-term financial risk. It is likely that the COVID-19-related concern about strength of the economy will accelerate the shift to more flexible vehicle access options. Collaborate believes that **Carly** is likely to benefit from this shift, even in an environment of slow economic growth.

This announcement was authorised to be given to ASX by the Board of Directors of Collaborate Corporation Limited.

Authorised by:

Chris Noone
CEO and Director
Collaborate Corporation Limited

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About Collaborate Corporation Limited
Collaborate Corporation Limited is listed on the Australian Securities Exchange (ASX:CL8). It is Australia's leading listed company focused on providing innovative mobility solutions for consumers and the automotive industry. Collaborate operates www.DriveMyCar.com.au Australia's leading peer-to-peer car rental business, and www.Carly.co, Australia's first flexible car subscription service, supported by our proprietary PeerPass trust and reputation platform.

Appendix 4C

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

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Name of entity	
Collaborate Corporation Limited (ASX:CL8)	
ABN	**Quarter ended ("current quarter")**
60 066 153 982	30 September 2020

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	725	725
1.2	Payments for		
	(a) research and development	(249)	(249)
	(b) product manufacturing and operating costs	(639)	(639)
	(c) advertising and marketing	(165)	(165)
	(d) leased assets	-	-
	(e) staff costs	(357)	(357)
	(f) administration and corporate costs	(177)	(177)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	1
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (COVID-19 government grants)	138	138
1.9	**Net cash from / (used in) operating activities**	**(723)**	**(723)**

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

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 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**	**-**	**-**

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	-	-
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**	**-**	**-**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	1,434	1.434
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(723)	(723)
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)	-	-

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	Consolidated statement of cash flows	Current quarter $A'000	Year to date (3 months) $A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**711**	**711**

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	711	1,434
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)**	**711**	**1,434**

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	67
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	850	850
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	**850**	**850**

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.

The Company has a financing facility of $850,000 (**Financing Facility**) from Willoughby Capital Pty Ltd as trustee for the Willoughby Capital Trust (**Willoughby Capital**), the Company's largest shareholder and a related party of the Company.

The Financing Facility is unsecured and provided at a simple interest rate of 12% per annum calculated based on draw down amount. With effect from 1 October 2019, the simple interest payable will be reduced to 9% per annum until 30 October 2020 at which time the Financing Facility and accrued interest of $125,782 will be offset against Willoughby Capital's underwriting commitments under the Entitlement Issue. Full details of the Financing Facility are set out in the ASX release dated 14 March 2019 and subsequent variations of terms in the ASX releases dated 16 July 2019, 31 March 2020, 30 June 2020, 31 August 2020 and 14 September 2020.

The Company also has a controlled placement deed with Acuity Capital for up to $3,000,000 of equity over a 30-month period to 31 July 2021. Full details of the facility are set out in the ASX release dated 10 January 2019.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(723)
8.2	Cash and cash equivalents at quarter end (item 4.6)	711
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	711

8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	1.0

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.

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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?

Answer:

The Company expects to have negative operating cash flows for the time being due to the current stage of development of its businesses. The Company is aggressively growing the size, scale and market presence of the businesses and the level of operating expenditure is reflective of the ongoing investment being made. The business has stable fixed operational costs which do not materially increase with the scale of the existing businesses. Payments to vehicle owners are variable in nature and increase as a direct result of increased sales. But ultimately, as revenues grow, the negative operating cash flows are expected to reduce.

As outlined in the Quarterly Activities Report that accompanies this Appendix 4C, the Company is pursuing a number of strategic opportunities, predominantly for the Carly car subscription service. Carly is an alternative to car purchase and provides a lower risk option for consumers and businesses that require cars but do not want to take on long-term financial obligations. Given the recent economic turmoil arising due to the COVID-19 pandemic, Carly provides a highly attractive option for consumers and businesses, and Collaborate expects this business to continue to grow.

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?

Answer:

On 31 August 2020, the Company announced the intention to undertake a non-renounceable entitlement issue to raise up to $3.455 million, which is partially underwritten up to $2.080 million by existing shareholders and officers of the Company (including offset of the $850,000 Financing Facility together with accrued interest of $125,782 to 30 October 2020 by Willoughby Capital against commitments under the offer) (**Entitlement Issue**). The Entitlement Issue is due to close on 23 October 2020 and securities are expected to be issued on or around 30 October 2020.

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?

Answer:

The Company expects to continue its operations and to meet its business objectives as it is confident that it will be able to continue to raise funds as and when required.

This expectation is based on past experience and because the Company continues to have the support of its existing shareholders and strategic partners who also remain committed to the Company's strategy of providing flexible access to vehicles and its focus on Carly car subscription and rideshare rentals.

The Group also has access to a controlled placement facility with Acuity Capital for up to $3.00 million of equity until July 2021.

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.

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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: **21 October 2020**

Authorised by: **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 – 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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