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29 October 2020

Activity report and Appendix 4C for quarter ended 30 September 2020

IncentiaPay Ltd **(ASX:INP)** is pleased to provide the following update for the quarterly period ended 30 September 2020.

Financial Highlights

- $5.50 million of cash receipts from customers
- $4.91 million in the bank at the end of the quarter
- $0.50 million of debt drawn down from Suzerain Investments Holdings Limited **(Suzerain)**
- $0.22 million of debt drawn from Skybound Fidelis Investment Limited as trustee for the Skybound Fidelis Credit Fund **(SFCF)** for growth initiatives
- $34,000 in operating cash surplus

Operations Highlights

- Cash inflows have been impacted by Covid-19 and historical seasonality and hence has declined from Q4 last year
- Suzerain entered into a Convertible Loan Deed with the Company to provide Suzerain the option to convert $9.825 million of unsecured debt to equity, subject to shareholder approval
- Announced a Share Purchase Plan which subsequently raised $531,729 to assist with ongoing business investment and transformation
- Continued to focus on cash management in an uncertain macroeconomic environment

Operational Update

The start of Q1 initially saw a continuation of sales revenue slowly returning with many states easing Covid-19 restrictions. However, with subsequent lockdowns in Victoria and New Zealand, coupled with a decline in consumer sentiment, capacity restrictions across many states, and historical seasonality, membership sales revenue was significantly depressed in the quarter.

The Company continued to focus on its technology transformation and during the quarter, announced a strategic partnership with Paywith, an innovative fintech company with a proven track record in building game changing offer syndication, payments, and rewards solutions.

IncentiaPay Limited ABN 43 167 603 992
Level 5, 68 Harrington St, The Rocks NSW 2000 Australia
p +61 2 8256 5300 | e info@incentiapay.com
www.incentiapay.com

This is a key step forward in the Company's transformation strategy, with an impending product suite to transform the value proposition for our members, merchants and not-for-profits.

Further, the Company has continued to manage costs consistent with the uncertain macroeconomic environment caused by Covid-19.

Convertible Loan Facility

As announced to the market on 29 September 2020, the Company reached an agreement to replace the Suzerain unsecured loan with a convertible loan, subject to shareholder approval. The loan will convert at Suzerain's election at the greater of $0.0275 per share or a 20 per cent premium on 30-day Volume Weighted Average Price (VWAP).

As previously announced on 5 June 2020, a new facility agreement was entered into with SFCF. The facility is for specific capital projects related to the Company's planned technology transformation.

Share Purchase Plan (SPP)

The Company's Share Purchase Plan (SPP) that was announced to the market on 29 September 2020, successfully closed on 14 October 2020. There were 62 valid applications received from eligible shareholders and a total of 20,451,096 new shares were issued. All shareholder subscriptions were accepted.

The new shares were issued at a price of $0.026 per share with the SPP raising approximately $531,729. The proceeds will be used for working capital and the Company's ongoing business transformation.

Cash Position

Net cash from operating activities was $34,000 for the period compared to $1.399 million in the previous quarter, driven predominantly by the impact of Covid-19 on membership sales and historical seasonality.

Net cash used in investment activities of $558,000, was predominantly for technology development initiatives, compared to $55,000 used in the previous quarter.

Payments to Related Parties of the Entities and their Associates

$90,000 was paid to Leisurecom Group Pty Ltd, an associated entity of Suzerain, for outsourced tele-sales services.

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Outlook

The Company's cash inflows are historically seasonal, with the majority of revenues ordinarily received between February and July of any given year. Accordingly, due to the timing of the year and recent Covid-19 restrictions, the Company is not expecting to see materially increased sales revenue until Q3.

The Company is predominantly focussed on the following priorities; its technology transformation project in partnership with Paywith, the enhancement of its sales and marketing strategy, the transformation of its customer service function, and a continued focus on Company culture, people and well-being.

There has also been an increased focus on the Company's Merchant partner acquisition strategy and a significant focus on reviewing and expanding the Company's Member strategy to deliver greater value and loyalty.

The Company continues to be vigilant with regards to costs and cash flow management given the macroeconomic uncertainty caused by Covid-19.

Authorised for release by the Board

For further information, please contact:

Ben Newling
Company Secretary
Ben.newling@incentiapay.com

Appendix 4C

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

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Name of entity	
IncentiaPay Limited	
ABN	**Quarter ended ("current quarter")**
43 167 603 992	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	5,497	5,497
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(3,109)	(3,109)
	(c) advertising and marketing	(128)	(128)
	(d) leased assets	-	-
	(e) staff costs	(2,289)	(2,289)
	(f) administration and corporate costs	(945)	(945)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	1,006	1,006
1.8	Other (GST refunded/(paid))	2	2
1.9	**Net cash from / (used in) operating activities**	**34**	**34**

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	(661)	(661)

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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	103	103
	(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**	**(558)**	**(558)**

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	748	748
3.6	Repayment of borrowings	(593)	(593)
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**	**155**	**155**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	5,307	5,307
4.2	Net cash from / (used in) operating activities (item 1.9 above)	34	34
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(558)	(558)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	155	155
4.5	Effect of movement in exchange rates on cash held	(24)	(24)
4.6	**Cash and cash equivalents at end of period**	**4,914**	**4,914**

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	4,914	5,307
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)**	**4,914**	**5,307**

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	144
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Payment for sales support services to an associated entity of Suzerain of $90k.

Payment for directors' fees to associated entities of directors of $54k.

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	11,525	4,048
7.2	Credit standby arrangements	-	-
7.3	Other (Lease incentive loan)	431	431
7.4	**Total financing facilities**	11,956	4,479

7.5	**Unused financing facilities available at quarter end**	7,477

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.

Interest bearing Loan (Previously Converted Loan facility)

Interest rate:10%

Maturity date: Updated repayment terms are yet to be agreed (Previously 30/09/2020)

Security: Security over all the Group's present and future property

On 27 February 2020, Suzerain opted to convert $19,300,257 of their convertible loan into 410,643,766 ordinary shares at $0.047 per share, in accordance with the Convertible Loan Deed approved by shareholders at the AGM held in December 2019. The balance remaining on this loan is $0.530m (Including interest) and will remain as a secured interest-bearing loan until repaid. Updated repayment terms are yet to be agreed.

Additional Growth Operational Facility (Previously Short Term Loan Facility)

Interest rate:10%

Maturity date: 31/12/2021

Security: Subject to shareholders' approval

Short Term Loan Facility was refinanced with a new Loan facility, Additional Growth Operational Facility with Suzerain on 27 February 2020 for the provision of a $5.83m facility (including associated borrowing costs and roll-over of previously loaned $750,000). On 4 June 2020, Suzerain agreed to increase the facility limit of the original loan by $4m to $9.825m.This facility will initially be unsecured with the view to obtaining shareholder approval for security at the Company's next Annual General Meeting, anticipated to be held in November 2020.

Transformational Capital Facility

Interest rate:12.5%

Maturity date: 18 months from the date of the first draw down

Security: Subject to shareholders' approval

A further $1.2m facility has been approved and the transformational capital expenditure was subsequently agreed between the Company and the lender, Skybound Fidelis Investment Limited as trustee for the Skybound Fidelis Credit Fund (Skybound) (a related entity of Suzerain). The first drawn down was made in August 2020.

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Lease incentive loan

Loan with the Landlord of the Sydney Corporate Office, who financed the fit out. This loan will be repaid at a rate of 20% per annum subject to no defaults occurring. It is scheduled to be fully repaid by the end of the lease.

8.	Estimated cash available for future operating activities	$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	34
8.2	Cash and cash equivalents at quarter end (item 4.6)	4,914
8.3	Unused finance facilities available at quarter end (item 7.5)	7,477
8.4	Total available funding (item 8.2 + item 8.3)	12,391
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	N/A

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.

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: Not applicable

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: Not applicable

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: Not applicable

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.

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.

Company Secretary _____

Authorised by: Board of Directors

Date: 29 October 2020

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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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