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ASX Release

29 October 2021

Quarterly Activities Report & Appendix 4C

Highlights

- 103% increase in cash receipts from customers for the September quarter ($0.52m compared to the prior year September quarter of $0.26 million);
- Strong retention and recommitment of existing schools across the three sales channels (VET in schools, Direct Curriculum and Reseller) for the 2022 school year, with the recommitment rate sitting substantially higher than the same time last year;
- New school signings for 2022 in VET-In-Schools, Direct Curriculum and Resellers are positive. Given the strong pipeline, Management is confident the momentum will continue going into the key selling/closing season of Term 4;
- Cross selling of VET courses across the customer base is increasing and showing positive momentum;
- Increasing interest in the ReadCloud platform may provide new revenue generating opportunities;
- Management of expenses and cash continues to be conservative; and
- Management remains confident that its strategies to accelerate growth in its three sales channels (VET-in-Schools, Direct Curriculum & Resellers) will result in strong revenue growth in FY22 over FY21.

ReadCloud Limited ("ReadCloud" or "the Company") (ASX: RCL) is the leading provider of digital eLearning solutions to secondary schools and the VET-in-Schools sector in Australia. The Directors of ReadCloud are pleased to provide a quarterly update and cash flow statement for the September 2021 quarter.

Sales update

Management remains confident that its strategies to accelerate growth in its three sales channels (VET-in-Schools, Direct Curriculum & Resellers) will result in strong revenue growth in FY22 over FY21.

The majority of existing schools across the three channels have already recommitted for school year 2022, with the recommitment rate sitting substantially higher than the same time last year. The recommitment and new business sales cycle normally runs up until December for the following school year.

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Management is expecting to see a very small level of churn across the business.

VET-In-Schools, Direct Curriculum and Resellers have all signed up new schools for 2022 and given a strong pipeline, Management is confident the momentum will continue into the key selling/closing season of Term 4. This rate of new signings is in advance of the FY21 rate.

In response to COVID lockdown restrictions, ReadCloud has implemented a new outbound phone / online video sales force servicing the full-curriculum segment. The outbound sales strategy is being well received as schools are more receptive to finding solutions that can support a remote learning environment.

Positive results are being achieved from working closely with existing and the three new Resellers signed up during 2021 (in SA, QLD & NSW) on joint marketing of the ReadCloud platform to their existing schools as well as promoting the offering more widely.

The cross selling of each RTO's services to the customers of the other RTOs is progressing well. Of the three ReadCloud RTO's collective schools, 85% of those school customers use only one of ReadCloud's VET providers (AIET, COSAMP or Ripponlea) in 2021. Management expects the number of school customers using more than one of ReadCloud's RTOs for 2022 will be substantially higher.

The Company looks forward to providing a further sales and business update at the Company's Annual General Meeting on 23 November 2021.

Operational update

There is a strong sense of excitement in anticipation of a nationwide launch of the ReadCloud VET Group planned for early 2022. By bringing many of the systems used by the three RTOs together, greater cross selling and back-office synergies and efficiencies are expected. The integration of the three RTOs is progressing well with various back-end systems being unified and the ReadCloud eReader integrated for the delivery of VET course materials in preparation of the nationwide launch. ReadCloud has also established a Shared Services Layer to provide consistent processes for customers across all three RTOs and to ensure the highest level of compliance.

The previous owners of the three RTO's ReadCloud has acquired have integrated well and are all senior members of the ReadCloud VET Group. They remain highly motivated (and have large RCL shareholdings from the sale of their businesses) and are fully behind the Company's strategy to accelerate the growth of what is already now the largest private RTO for VET-In-Schools in Australia by number of Qualifications offered.

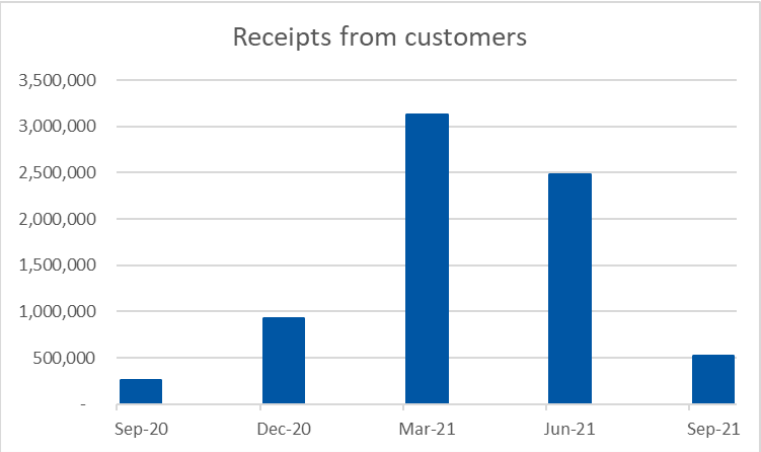
Further improvements have been implemented for ReadCloud's Full-Curriculum quoting and on-bording system which has resulted in a far more automated backend process for existing and new Direct schools. The system was put in production in September for Year-12 "headstart" eBook sales and due to the increased automation, ReadCloud can now handle larger volumes of customers with a similar number of employees as in FY21.

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The investment in the ReadCloud platform is seen as a core part of our growth strategy in that it delivers increased levels of automation, streamlines the user experience and continues to provide a strong differentiator in the market. The functionality and ease of use of the platform is creating interest from organisations that could potentially provide ReadCloud with new opportunities outside are traditional market.

Finance Update

As noted in previous quarterly reports, the Company's results are highly seasonal in line with the school year, with the March and June quarters in each year being the strongest for sales and cash receipts.



In this context, key highlights from the accompanying Appendix 4C Cash Flow Statement include:

- 103% increase in cash receipts from customers for the September quarter (to $0.52 million, on the prior year September quarter of $0.26 million);
- Cost of sales for the September quarter was $0.17 million mainly relating to full-curriculum eBook sales during the June and September quarters and third-party VET course publisher payments in connection with mid-year VET course enrolments;
- Staff costs for the September quarter were $1.07 million, which is similar to the June 2021 quarter reflecting a full quarter of staff costs for Ripponlea Institute (acquired on 8 June 2021). On a comparative basis staff costs are lower than FY21 with some staff turnover not needed to be replaced due to increased automation of processes;
- Overhead spending for the quarter was tightly managed;
- Payments to related parties (item 6.1 of the attached Appendix 4C) consisted of remuneration to directors during the quarter; and

- During the September quarter the Company repaid a bank loan of $0.47 million that was assumed with the acquisition of Ripponlea Institute. The loan was paid out from post-acquisition working capital left in the Ripponlea Institute business.

As at 30 September 2021 the Company had cash reserves of $4.47 million and no debt, with cash receipts from Year-12 "headstart" eBook sales and receipt of the Company's FY21 R&D tax refund of $0.39 million expected in the current (December) quarter.

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

This announcement is authorised for release to the market by the Board of Directors of ReadCloud Limited

-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 60 digital VET courses and auspicing services to schools across Australia.

ReadCloud currently has over 116,000 users on its platform.

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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 September 2021

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	523	523
1.2	Payments for		
	(a) research and development	(152)	(152)
	(b) product manufacturing and operating costs	(167)	(167)
	(c) advertising and marketing	(112)	(112)
	(d) leased assets	(48)	(48)
	(e) staff costs	(1,069)	(1,069)
	(f) administration and corporate costs	(211)	(211)
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	(23)	(23)
1.7	Government grants and tax incentives		
1.8	Other (provide details if material)		
1.9	**Net cash from / (used in) operating activities**	**(1,259)**	**(1,259)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment	(1)	(1)
	(d) investments		
	(e) intellectual property	(100)	(100)
	(f) other non-current assets		

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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		
	(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**	**(101)**	**(101)**

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	(466)	(466)
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**	**(466)**	**(466)**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	6,295	6,295
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,259)	(1,259)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(101)	(101)

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)	(466)	(466)
4.5	Effect of movement in exchange rates on cash held		
4.6	**Cash and cash equivalents at end of period**	**4,469**	**4,469**

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	4,469	6,295
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)**	**4,469**	**6,295**

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	156
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.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,259)
8.2	Cash and cash equivalents at quarter end (item 4.6)	4,469
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	4,469
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	3.55

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: N/A

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: N/A

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: N/A

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: 29 October 2021

Authorised by: By the Board
(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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