ASX ANNOUNCEMENT
31 July 2020

June 2020 Quarter Update

Highlights

- Launch of first customer on the Change payments and card issuing platform (**Platform**) and resulting first revenues
- Pipeline of customers identified by Central Bank of Kansas City to onboard to Change's Platform
- Secured strategic investment from U.S. partner bank, Central Bank of Kansas City (**CBKC**)
- Completed fully subscribed A$5.14 million capital raising from existing shareholders and new sophisticated and professional investors
- Increased corporate activity in the payments space

31 July 2020: Change Financial Limited (ASX: CCA) ("**Change**" or "**the Company**"), is pleased to provide the following business update for the quarter ending June 2020.

Launch of First Platform Customer

Change's first customer, UpChange, is now live on Change's Platform and all eligible existing cardholders have now been issued new cards powered by Change's Platform. Change in partnership with its sponsor bank have completed the transition of UpChange and its cardholders over from UpChange's previous payments processor.

UpChange is a U.S. based mobile banking app focused on customers seeking a genuine alternative to traditional banks (www.upchange.me).

Customer Pipeline

Change's U.S. partner bank, CBKC, through its Central Payments division, is the fastest-growing issuer of prepaid cards in America since 2015[1]. CBKC and Change have partnered to offer innovative payment products to the U.S. market that leverage the Company's payments and card issuing platform.

The launch of UpChange marks the launch of the first customer on Change's Platform in partnership with CBKC. In addition, CBKC has also identified a number of new and existing customers to onboard to Change's Platform and will work with Change over the coming months to contract with those customers and start the onboarding process.

[1] Source: The Nilson Report Annual Survey of Prepaid Card Issuers, 2015 - 2018

Trent Sorbe, President of Central Payments and a Director at CBKC, said during the quarter: "Post the announcement of our strategic investment in Change we are excited to launch in production our first card and payments program on Change's Platform. We have identified a number of clients who are both new and existing customers of the bank who would benefit greatly by running their card and payments programs on Change's innovative and flexible technology Platform. We very much look forward to working closely with the Change team over the next 6 months to contract a pipeline of new customers to Change's Platform. We look forward to providing further updates together with Change as we progress."

Revenue Model

The Company has commenced earning revenues from the Platform with UpChange cardholders transacting with their card accounts and mobile apps. Customers are all different and revenue lines vary depending on the customer's payments offering. Change can earn revenue from its customers in the following ways:

Revenue Item	Description
Set Up and Services	Customers are charged one-time set-up fees to onboard to Change's Platform (e.g. Bank Identification Number set up, program parameter set up, card design and production set up). Platform and Systems Maintenance fees along with Customer Technical Support are chargeable recurrent services.
Processing Fees	Change's Platform provides the payments infrastructure and a connection to the global payment rails. Every time a customer's end user transacts utilising Change's Platform, Change earns a fee from its customer (e.g. payment authorisation, funds transfers, API calls, card loads).
Non-Financial Transactions	Change's Platform provides a number of services beyond processing payments and charges fees for these (e.g. card printing and production, SMS, XML and email messaging/notifications, record updates).
Platform Recurring Software License Fees	Change provides its customers with dashboards and data insights to manage and run their payments products (e.g. customer support portals, program management dashboard and reporting tools with real-time data and access). Fees are charged on a monthly recurring revenue basis per customer and user over the life of a long-term contract.
White Label App and Technology Fees	Change has developed a consumer facing mobile app that customers are able to white-label for their end users

	running on the Change Platform (e.g. banks wanting to offer their customers a mobile solution). Fees are charged on a monthly recurring revenue basis over the life of a long-term contract.
Risk and Operations Management	The Change Platform includes Decision Intelligence (DI) solution, a real-time authorization decisioning solution to approve genuine transactions. Change also monitors and executes recurrent security risk processes including Office of Foreign Assets Control (OFAC) along with key functions such as disputes and chargebacks. These Risk Management Solutions attract ongoing fees.
Professional Services	Change charges customers for business analysis, custom engineering development and issue investigation (e.g. a customer may want to offer a new payment product to their end user that requires modification to Change's Platform).
Value added Services	Customer support services provided directly or through third parties, including telephone and online access to customer support agents and Interactive Voice Response (IVR) technology.

How Change fits into the payment's ecosystem

Example 1 – UpChange

UpChange offers a mobile banking product to its customers.

> *Sarah is hosting a dinner party and needs a few items. She goes online to her favourite clothing store and buys a new outfit which costs $140.*
>
> *She then heads to the grocery store to buy food and drinks for the party totaling $180.*
>
> *When Sarah pays at both stores (online and in-store), she uses her UpChange card to pay.*

Change earns fees from its customer (UpChange) every time a card powered by the Change Platform is used to make an online or in-store payment. Change also earns recurring monthly fees to provide dashboards and tools that allow UpChange to manage their card program on Change's Platform.

Example 2 – Buy Now, Pay Later (BNPL)

A fast growing BNPL company is looking to enter the U.S. market, the Change Platform allows this type of customer to integrate into the payments network and infrastructure.

By using the Change Platform, a BNPL company can facilitate in-store acceptance of their product via Change's card.

> *Daniel has been waiting to purchase a pair of new sneakers. Those sneakers are available for purchase instore today for $250.*
>
> *Change Financial has issued a branded card to the BNPL customer who can tap and go the transaction that is linked to their BNPL account to pay for the sneakers*

Change earns fees when the BNPL service provider sends an authorization request to a Change Platform powered card or bank account and every time a payment is made out of the Change Platform powered account. If the BNPL company is also an enterprise customer of Change, on-going monthly software and service fees are also paid to Change.

Example 3 – Payroll Program

Companies, particularly in the U.S, are looking for alternatives to paper cheques for paying their employees.

> *A Healthcare Company has been paying their 20,000 staff across their U.S. care facilities with paper cheques each week. To reduce the administrational burden and provide a better experience for their employees they have decided to offer a payroll card to all staff.*
>
> *Each week Healthcare Company uses the Change Platform to process payroll and direct deposit their staff's payroll card (also powered by the Change Platform) with their weekly pay.*

The Change Platform allows companies to process and deliver payments products to their customers (or staff). Change charges fees to customers for setting up card and payment products on its Platform.

Change Platform powered cards can be used globally, even online. Change earns fees for every transaction where an online or in- store payment is made using the card or linked bank account.

Strategic Investment by CBKC

As announced on 1 April 2020, the Company and CBKC, entered into a Subscription Agreement whereby CBKC agreed to make an initial investment of US$0.25 million in Change. In addition, CBKC and the Company have also signed a non-binding term sheet where CBKC can make further investments in the Company of up to US$2.75 million. CBKC has completed its initial investment of US$0.25 million and the Company and CBKC have commenced discussions to finalise the further investment which is subject to conditions

including U.S. financial regulatory approvals and CBKC delivering a number of customers to Change's Platform.

During the quarter, the Company also completed a A$5.14 million Entitlement Offer. The Company received applications from Eligible Shareholders and investment commitments from sophisticated and professional shareholders, including Directors, for the full raising amount. Settlement of the final shares under the Entitlement Offer will be completed after the Company's General Meeting to be held on 6 August 2020.

Corporate Activity in the Payments and Card Issuing Space

The Company also notes the recent corporate activity in the payments and card issuing space.

In early April, consumer financial services platform SoFi announced that it was acquiring payments and bank account infrastructure company Galileo for US$1.2 billion in total cash and stock[2]. Like Change, Galileo provides APIs that allow fintech companies to easily create bank accounts and issue physical cards, among myriad other services.

In late May, U.S.-based payments and card issuing fintech, Marqeta, raised US$150 million at a US$4.3 billion valuation[3] ahead of a planned IPO at double that valuation[4]. Marqeta and Afterpay have also recently announced they have partnered to expand Afterpay's buy now, pay later presence in the U.S.[5].

As one of the few U.S. payment and card issuing platform completed in recent years, following Marqeta, Change is in a strong position to continue capitalising on the world's move to cashless and online payments that has also been accelerated by the COVID-19 pandemic. The Change Platform was built from the ground up to address today's payment needs without the complexity and legacy of traditional issuer processors and forms a key part of the payments infrastructure for products and companies offering cashless payments.

Strategic Partnership with Central Bank of Kansas City (CBKC)

During the quarter, Boardroom Media sat down with Trent Sorbe, President of Central Payments and a Director at CBKC, and Alastair Wilkie, CEO of Change Financial, to discuss further details of the working partnership the Company has with CBKC, Central Payments, Falls Fintech and CBKC's investment in Change.

https://www.boardroom.media/broadcast?eid=5ea631469b7f8f71a4887e55

Cash Flow

Cash at the end of the June 2020 quarter was US$3.0 million with final commitments from the recent Entitlement Offer to be settled post the quarter end. All financial figures in the following Appendix 4C are denominated in US dollars, unless stated otherwise.

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2 https://techcrunch.com/2020/04/07/another-major-fintech-exit-as-sofi-acquires-banking-and-payments-platform-galileo-for-1-2b/

3 https://www.forbes.com/sites/jeffkauflin/2020/05/28/payments-startup-marqeta-more-than-doubles-valuation-to-43-billion/#638f4f7b6c8d

4 https://www.forbes.com/sites/jeffkauflin/2020/07/17/pandemic-power-payments-company-marqeta-could-fetch-8-billion-in-ipo-doubling-value/#54323c5c1c9e

5 https://www.pymnts.com/buy-now-pay-later/2020/afterpay-partners-with-marqeta-for-us-growth/

In addition, the Company has announced a further strategic investment from CBKC of up to US$2.75 million subject to conditions.

Payments to related parties of the entity and their associates detailed in Section 6 of the Appendix 4C relate to director's fees paid during the quarter to Ms Teresa Clarke and Mr Ian Leijer.

Authorised for release by Ben Harrison, Director

For more information, please contact:

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About Change Financial

Change Financial Limited (ASX: CCA) is a US-focused fintech company developing innovative and scalable payments technology to provide solutions for businesses and financial institutions. Change's Platform includes an enterprise payments and card issuing processor. To learn more, please visit: www.changefinancial.com

Appendix 4C

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

Name of entity	
Change Financial Limited	
ABN	**Quarter ended ("current quarter")**
34 150 762 351	30 June 2020

Consolidated statement of cash flows		**Current quarter $US'000**	**Year to date (12 months) $US'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	4
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	-	-
	(d) leased assets	-	-
	(e) staff costs	(349)	(1,432)
	(f) technology / hosting expense	(132)	(503)
	(g) compliance	(31)	(146)
	(h) consulting / outsourced services	(82)	(313)
	(i) administration and corporate costs	(196)	(679)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	6	23
1.5	Interest and other costs of finance paid	(4)	(23)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	230	244
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(558)**	**(2,825)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-

Consolidated statement of cash flows		Current quarter $US'000	Year to date (12 months) $US'000
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	200
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Sub lease payments received (excluding interest)	55	147
2.5	Dividends received (see note 3)	-	-
2.6	Other (provide details if material)	-	-
2.7	**Net cash from / (used in) investing activities**	**55**	**347**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	3,396	3,424
3.2	Proceeds from issue of convertible debt securities	-	951
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(262)	(262)
3.5	Proceeds from borrowings	-	86
3.6	Repayment of borrowings	(86)	(86)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Payment of lease liabilities (excluding interest paid)	(38)	(139)
3.10	US Government Loan (PPP Program)	-	-
3.11	**Net cash from / (used in) financing activities**	**3,010**	**3,974**

Consolidated statement of cash flows		Current quarter $US'000	Year to date (12 months) $US'000
4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	423	1,465
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(558)	(2,825)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	55	347
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,010	3,974
4.5	Effect of movement in exchange rates on cash held	36	5
4.6	**Cash and cash equivalents at end of period**	**2,966**	**2,966**

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 $US'000	Previous quarter $US'000
5.1	Bank balances	2,966	423
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)**	**2,966**	**423**

6.	Payments to related parties of the entity and their associates	Current quarter $US'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

Amounts shown in 6.1 are amounts paid to directors. Included in this amount are directors fees of US$28,000 accrued but unpaid from the previous quarter.

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 $US'000**	**Amount drawn at quarter end $US'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**	-

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**	**$US'000**
8.1	Net cash from / (used in) operating activities (Item 1.9)	(558)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	2,966
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	2,966
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	5.3

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?

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?

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

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: 31 July 2020.....

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.