ASX Release **28 April 2023**

Activities Report for the Quarter ended 31 March 2023

Key Highlights

- The Company continued to execute its core strategies designed to drive the business to a cashflow positive position, which include:
    - Deploying funds from the debt warehouse facility, at an average yield > 20%
    - Continuing the rollout of its key strategic customers
    - Growing Business-to-Business (B2B) card payment flows to a minimum of $10m per month
- Leading indicators continued to perform strongly:
    - Loan facility: 47% increase in loan facility since inception (from $8.3m as at 1 August 2022 to $12.2m as at 31 March 2023)
    - Lending average yield: Closed up 1.06% in March at 24.46% on the previous quarter's average The average yield for the quarter decreased by 2.5% to 20.76% due the expected decline in funds in use through January and February
    - Payment Flows: 36% increase in payments volume from the prior quarter (from $16.5m for FY23 Q2 to $22.5m for FY23 Q3)

      Average transaction values climbed by 549%, whilst the volume of payments transactions processed decreased by 11% as customers began utilising batch payment services via Spenda Accounts Payable and Pay-Statement-By-Link
    - Customer Growth: 11% increase from prior quarter

- Cash receipts from customers for the current quarter equated to $817k, a 30% growth compared to Q3 FY22 and a 4% growth from the prior quarter

- Closing cash and cash equivalents was $4.7m as 31 March 2023

- Net cash position of $5.4m as at 31 March 2023 (*refer to Table 1*)

- The Company announced a strategic $1.025m investment to cornerstone its Agricultural strategy, attaining a 5% equity interest in Fresh Supply Co via a conversion of existing debt

- The Spenda Platform is being integrated into the Carpet Court Standard Operating Environment across all 205 Carpet Court member stores, with ~50% of stores successfully onboarded at the end of the quarter

- Continuous deployment of software upgrades, including enhancements to Spenda's Accounts Receivable solution, the addition of prepayments to Spenda's Accounts Payable solution and further capabilities within the Spenda Wallet solution, have cut implementation times by 50%

- Completed integration services from the Mastercard Provenance blockchain solution onto Continuity via Hedera Hashgraph.

Spenda Limited (ASX: SPX, "Spenda" or "the Company") is pleased to release its quarterly Activities and Cash Flow report for the quarter ended 31 March 2023 (Q3 FY23).

EXECUTIVE SUMMARY

The Company is pleased to announce another consecutive quarter of growth, with all key leading indicators continuing to perform strongly.

An additional $2m in funds were drawn from the Company's debt warehouse facility during the quarter. This represented a 22.2% increase, from $9m funds drawn ($10m including Spenda's first loss capital) as of 31 December 2022, to $11m ($12.2m including Spenda's first loss capital) as of 31 March 2023.

Payments volume, being funds flowing through the Spenda platform, grew from $16.5m for the prior quarter to $22.5m for the quarter ended 31 March 2023, this represents a 36% increase.

The Company is benefiting from several market trends:

- Australia's increase in card usage per capita and the flow on affect this is having on business-to-business payments; and
- the global unmet finance needs of SMEs to the value of USD$5.2 trillion a year.

The Company expects these conditions to continue to drive positive cash flow and new opportunities as its unique recipe of integrated software, payment and lending services (through card-blended finance) continues to gain momentum in the market.

In addition to this growth in payments and lending, the Company successfully delivered on each of the targets outlined in the 31 December 2022 Quarterly Activities Report:

- Drawing further funds from the debt warehouse to deploy to customers;
- Continuing to execute growth in payment volumes and transactions through new and existing customers;
- Scaling onboarding for Spenda's Accounts Receivable and Pay-Statement-By-Link products (including the deployment of the Spenda Platform into Carpet Court franchisee members). The Company is on track to onboard the entire Carpet Court network by 30 June 2023, with ~50% stores having been successfully onboarded as at 31 March 2023; and

- Delivering on the first phase of our Integration Plan to extend and enhance the Spenda solution and leverage sales through third-party partners.

As announced on 6 February 2023, the Company made a $1.025m strategic investment for 5% equity interest in Fresh Supply Co. Pty Ltd ("Fresh Supply Co" or "FSCO"). The investment further aligns the businesses and exposes Spenda to Fresh Supply Co's extensive networks and credibility in the Agribusiness sector to deliver liquidity to every layer of the Agri value chain.

The Company is in active negotiations with two large agricultural networks to deliver improved business efficiencies and cash flow solutions to Australian agribusinesses. The opportunities are expected to be material to the businesses and follow the Company's established Node to Spoke network acquisition strategy.

The Company also completed a non-deal roadshow in Singapore and Hong Kong during the quarter, which forms part of its market entry strategy into Asia. During this roadshow, Company representatives met with Institutions, banks, family offices, high net worth individuals and private companies to seek out integration partnerships and to promote Spenda's unique proposition and growth runway as an investment opportunity.

The Company intends to work with systems integrators and vendors in the Asia-Pacific region to secure a global settlement service and deliver on current demand in the Asian market for Spenda's integrated payment and lending platform.

PRODUCT DEVELOPMENT

During the quarter the Company implemented 21 software releases across its product portfolio, which focused upon:

- Delivering feedback to Customers that will improve their utilisation of the platform;
- Broadening the capabilities of the Spenda system to increase the addressable market for the software;
- Security enhancements;
- Shortening the implementation and boarding times to enable faster growth;
- Service scalability;
- The launch of Payment Facilitator ("PayFac"') services within the Spenda ecosystem; and
- Working towards deploying international services.

High level release notes include improved:

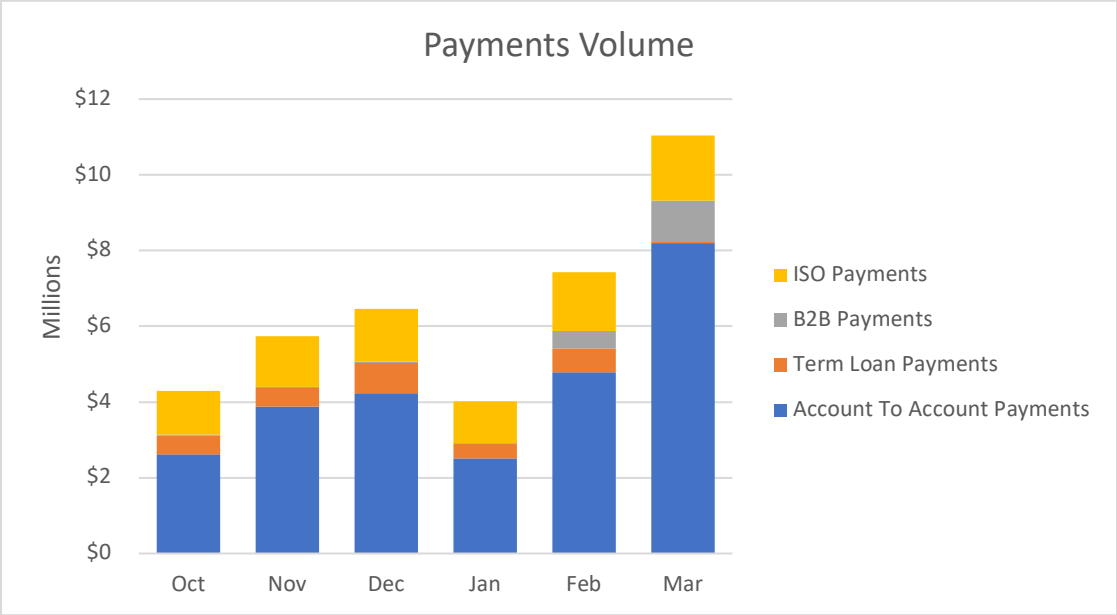
- transparency of live balances and enhancements to approval algorithms;
- eInvoicing capabilities enabling transaction delivery and integration via Pay-Statement-By-Link;
- credit claims and returns management;
- chat components to improve inter-business collaboration; and
- reconciliation of Pre-Payments and credit allocations in Spenda Accounts Receivable.

During the quarter the Company also transitioned services from the Mastercard Provenance blockchain solution onto Continuity via Hedera Hashgraph. Hedera, governed by some of the world's leading organisations, is a public ledger that uses hashgraph consensus, which is a faster and more secure alternative to blockchain consensus mechanisms. Spenda will use Hedera in integrations with its partner, Fresh Supply Co, to verify transactions between parties for international trade and export finance.

PAYMENTS UPDATE

Key highlights:

- Total Payments volume grew to $22.5m in the March quarter, up 36% from the December quarter:



- Average transaction values climbed by 549%, whilst the volume of payments transactions processed decreased 11% as customers began utilizing batch payment services via Spenda Accounts Payable and Pay-Statement-By-Link; and

- 44% growth in business-to-business transaction payment volumes (from $12.6m to $18.1m).

The Company continued to provide payment services to new customers and between existing businesses within the Spenda network. As stated in the previous quarterly report, 9% of the 36% payment flow growth was achieved from the provision of services to businesses won in the December quarter.

Led by B2B payments, average transaction values climbed by 549%, whilst the core systems showed increased resilience with transaction processing times falling. These efficiency gains have enabled the team to model platform growth and scalability providing confidence that the core system can continue to support customer growth at lower marginal cost. These improvements are shaping both our domestic and international transaction processing capabilities.

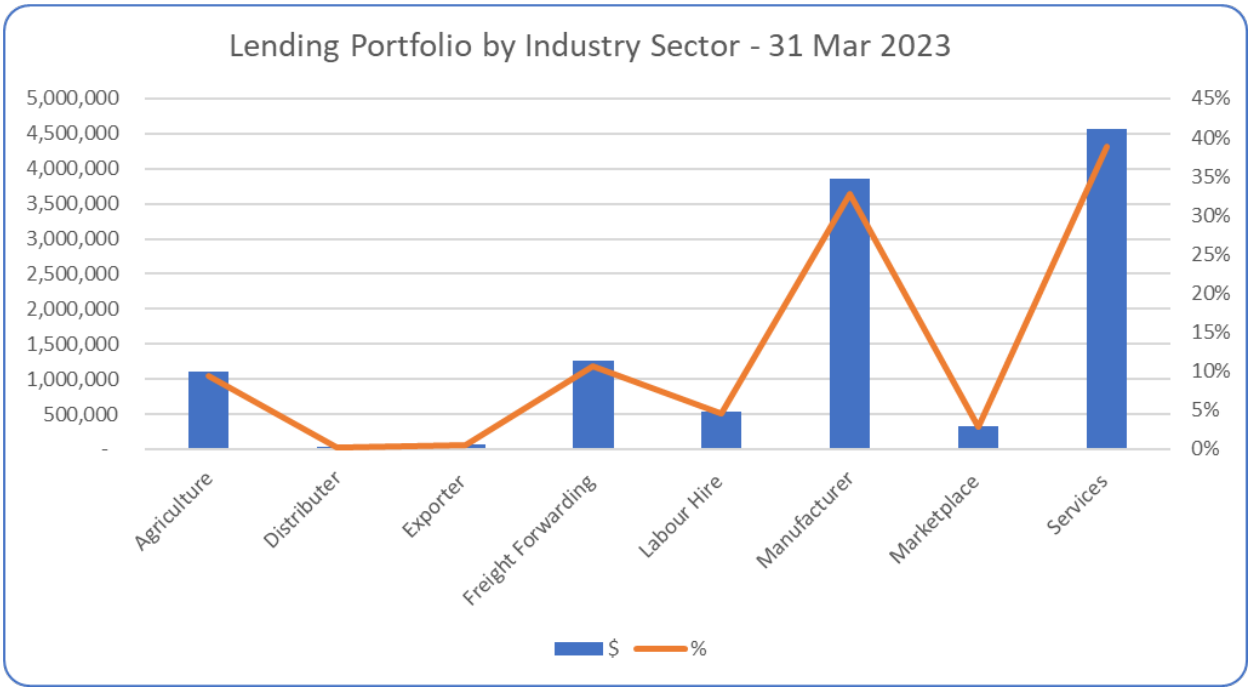
Growth was predominantly delivered from new customers, which includes the continuing roll out to Carpet Court franchise stores. The Company is on track to onboard the entire Carpet Court network ahead of the contracted schedule, with ~50% of stores onboarded as at 31 March 2023.

Additionally, the Company continued to win new business and provide its Payment Widget and Pay By Link technology as a solution to delivering eInvoicing with digital payment options (Credit Card, EFT, and Extended Term), early payment options for sellers, and offering extended payment terms to buyers.

LENDING UPDATE

Portfolio highlights:

- Portfolio growth of 149% since the acquisition of Invigo in July 2021;
- The Company achieved a lending record this month with total funds in use from the debt warehouse peaking at $11m during the quarter;
- Total Quarterly Funding transactions processed to lending customers exceeded $44m; and
- Lending portfolio balance of $11.7m as at 31 March 2023 ($13.4m as at 31 December 2022). The reduction from the prior quarter is attributed to the loan to FSCO being converted to equity and repatriation of loan funds, originally funded from Spenda's cash reserves, back to Spenda's balance sheet to provide first loss capital. The lending portfolio by Industry sector is depicted in the below graph:



As announced by the Company on 1 August 2022, it secured a $50m debt warehouse facility to accelerate growth. As at 31 March 2023 $11m had been drawn from the facility.

The Company continued to settle new Invoice finance clients, signing over $3m of new facility limits. With a stable existing portfolio, income relating to these new clients will deliver on-going additional income of approximately $35k per month. New clients operate in the Transport, Food and Beverage and Labour Hire industries.

The Company also developed a new approach to Invoice Finance by combining it with Spenda's Accounts Payable platform and effectively enabling direct application of loan funds from receivables security to pay suppliers in return for early settlement discounts. This is a key capability that has broad applications.

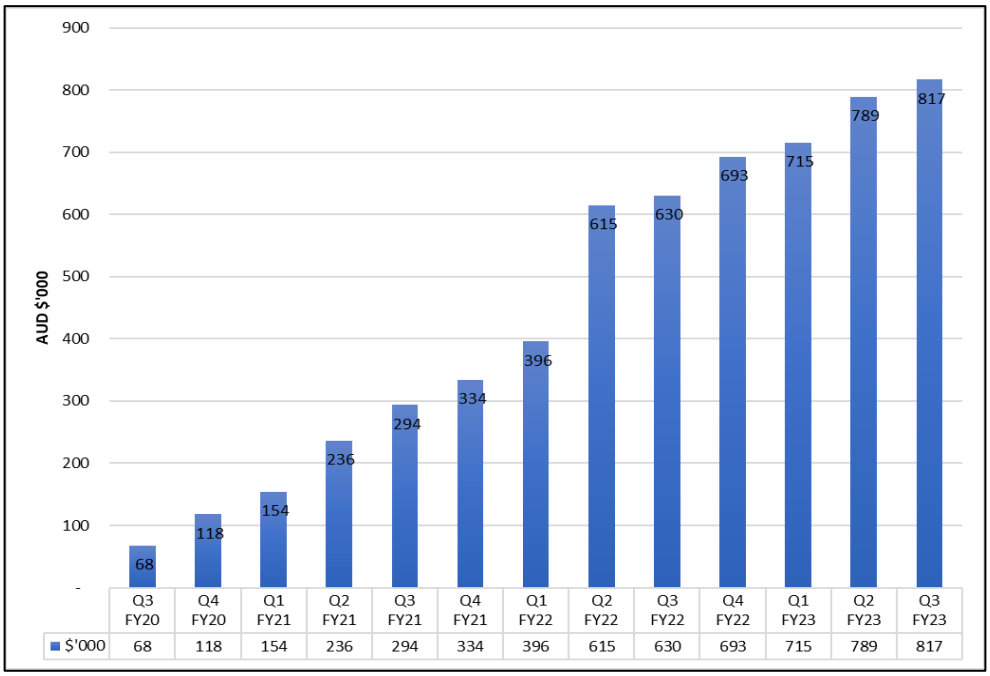
This lending growth is in addition to the agreement announced with Carpet Court on 7 December 2022 and excludes the provision of extended term lending to the franchises and proposed supplier payment processing.

The Company anticipates additional growth in the invoice finance and buyer finance portfolio as more clients are funded and the Carpet Court buyer finance program is rolled out. To service the consequent requirement for additional subordinated debt, the Company made a decision to repatriate loans deployed from its balance sheet. Several client term and trade facilities were refinanced with third parties during this period reducing total balance sheet funded loans from $4.6m as at 31 December 2022 to $2.3m as at 31 March 2023.

CORPORATE AND FINANCIAL UPDATE

Financial position

Cash receipts from customers for the quarter totaled $817k, which represents a 30% growth when compared to Q3 FY22, and a 4% growth when compared to the prior quarter:



The Company had a cash position of $4.7m as of 31 March 2023 plus $11.7m in gross client loan book, representing loan capital deployed to multiple customers.

Net cash position	$'m
Cash and cash equivalents (A)	4.7
Gross client loan book	11.7
Less: Finance facility	(11.0)
Net client loan book (B)	0.7
Net cash position (A + B)	**5.4**

Table 1: Net cash position

Payments totaling $22,983 were paid directly to Mr. Adrian Floate (Chief Executive Officer and Managing Director) in relation to PAYGW & superannuation.

A net salary of $43,760 for the quarter had been accrued for Mr. Floate. As announced on 23 June 2022 and 26 September 2022, Mr. Floate has elected to receive 100% of his net salary for the period 1 July 2022 to 30 June 2023 in ordinary shares. The issue of ordinary shares occurred on 6 December 2022, as approved shareholders at the Company's 2022 Annual General Meeting held on 25 November 2022.

Payments totaling $4,487 were paid directly to Mr. Peter Richards (Non-Executive Chairman) in relation to PAYGW and superannuation. Net directors' fees of $10,632 for the quarter has been accrued for Mr. Richards. As announced on 26 September 2022, Mr. Richards elected to receive 100% of his net directors' fees ($42,528) for the period 1 July 2022 to 30 June 2023 in ordinary shares. The issue of ordinary shares occurred on 6 December 2022, as approved shareholders at the Company's 2022 Annual General Meeting held on 25 November 2022.

Payments totaling $17,590 were paid directly to Mr. Howard Digby (Non-Executive Director) in relation to director fees, PAYGW and superannuation for the quarter. No directors' fees have been accrued for Mr. Digby. As announced on 26 September 2022, Mr. Digby has elected to receive 50% of his net directors' fees ($24,522) for the period 1 July 2022 to 30 June 2023 in ordinary shares. The issue of ordinary shares occurred on 6 December 2022, as approved shareholders at the Company's 2022 Annual General Meeting held on 25 November 2022 and was utilised for the 1 July to 31 December 2022 period.

Payments totaling $15,643 were paid directly to Mr. Stephen Dale in relation to directors' fees for the quarter. Accrued costs of $932 relating to March 2023 PAYG remain unpaid.

No other related party transactions occurred during the quarter. The operating expenditure for the March 2023 quarter is summarised as follows:

Category	$'000
Research and development	471
Product manufacturing and operating costs	77
Advertising and marketing	38
Staff costs	1,218
Administration and corporate costs	650

Table 2: Summary of operating expenditure

FUTURE FOCUS

In the June 2023 quarter, the Company will focus on:

- Driving momentum to achieve cashflow positivity and maintainable earnings in the short to medium term, which include the following key activities:
    - Closing ~30% of near-term pipeline and draw a minimum of $20m in funds from the debt warehouse facility;
    - Completing the Carpet Court implementation; and
    - Growing the Payment volume by an additional $5m per month.
- Executing its Franchise pipeline and launch more Spenda Pay-Statement-Buy-Link / Accounts Receivable products
- Releasing a Spenda Accounts Payable update with self-serve boarding with integrated card / lending capabilities
- Finalising the launch of PayFac services announced under the agreement with Fiserv in December 2022

Commenting on the results, Managing Director Adrian Floate said: "The March quarter was a positive challenge for the business as we again stretched our resources to manage considerable growth and the need to optimise our organisation so we can be more efficient at the delivery of our services.

As we continue to grow, we have one eye fixed firmly on current metrics to ensure we are delivering to operational expectations and one eye on the horizon to ensure clarity on where we are going across all facets of the business.

From a personal perspective I am really pleased with our results so far, all the leading indicators continue to perform strongly and the team is consistently rising to every challenge that comes their way. I am very much looking forward to delivering our next quarter's results."

- ENDS -

About Spenda

Spenda Limited (ASX: SPX) is a transaction services business supplying industries with a broad range of B2B payment services, digital trading software and integrated solutions. Our goal is to convert EFT payments to card payments utilising the BPSP engagement coupled with our payments collaboration framework. Our competitive advantages deliver customers end-to-end e-invoicing integration, rapid ordering, digital trust and automated reconciliation.

Spenda supplies its customers a recipe of integrated software to create a vertical market standard operating environment (SOE) that enables the effective and seamless transfer of data from multiple, disparate software systems in one standardised technology solution, such as SpendaRetail. Spenda has licensing agreements with third-party software vendors that enable it to provide integrated SOE solutions to its customers.

For investors seeking information on the Company's activities that relate to marketing, customer events and other acknowledgement of customer activities, this information will be posted to the Company's news section of the website and on social media channels with the handle #getSpenda, active on Twitter, LinkedIn, Instagram and Facebook.

For more information, see https://spenda.co/investor-centre/

This announcement has been authorised by the Board.

Investor Enquiries

Please email: investors@spenda.co

Appendix 4C

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

Name of entity	
Spenda Limited	
ABN	**Quarter ended ("current quarter")**
67 099 084 143	31 March 2023

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (9 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	817	2,323
1.2	Payments for		
	(a) research and development	(471)	(2,061)
	(b) product manufacturing and operating costs	(77)	(190)
	(c) advertising and marketing	(38)	(115)
	(d) leased assets	-	-
	(e) staff costs	(1,218)	(3,463)
	(f) administration and corporate costs	(650)	(2,042)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	22	56
1.5	Interest and other costs of finance paid	(222)	(515)
1.6	Income taxes paid	-	(67)
1.7	Government grants and tax incentives	-	1,608
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(1,837)**	**(4,466)**

Note

On 6 October 2022, the Company received a Research and Development tax incentive rebate of $1,608,499.

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(17)	(21)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	(66)
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	Net Cash flows from loans to other entities	2,226	2,523
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide detail if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**2,209**	**2,436**

Note to support item 2.3

The Company had a net inflow in respect to its loan book with external clients totalling $2.2m for the quarter.

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	-	(6)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	(871)
3.8	Dividends paid	-	-
3.9	Other (Listed Option entitlement issue)	-	-
3.10	**Net cash from / (used in) financing activities**	**-**	**(877)**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	4,336	7,615
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,837)	(4,466)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	2,209	2,436
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	(877)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**4,708**	**4,708**

5.	**Reconciliation of cash and cash equivalent** 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	4,708	4,336
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)**	**4,708**	**4,336**

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	61
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.

Item 6.1 relates to payments to directors, including director's remuneration and director's superannuation

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	15,000	11,000
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	15,000	11,000
7.5	**Unused financing facilities available at quarter end**		4,000
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.		

As announced on 1 August 2022, the Company entered into a debt facility agreement with a prominent Australian private credit fund and non-bank funder. Key terms are detailed below:

- Up to $50m (with an initial $15m Corporate Facility)
- Term of 36 months from date of draw down
- Interest rate is fixed

8.	Estimated cash available for future operating activities	$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,837)
8.2	Cash and cash equivalents at quarter end (item 4.6)	4,708
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	4,708
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	3

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?

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?

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?

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.

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: 28 April 2023

Authorised by: Justyn Stedwell, Company Secretary
on behalf of the 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.