

Entertainment Rewards Ltd

29 April 2025

Q3 FY25 Quarterly Activities Report

Entertainment Rewards Ltd (**ASX:EAT or the Company**), Australia and New Zealand's Premier Entertainment, Lifestyle and Rewards Platform, is pleased to present its Appendix 4C and accompanying activities report for the quarter ended 31 March 2025.

Highlights:

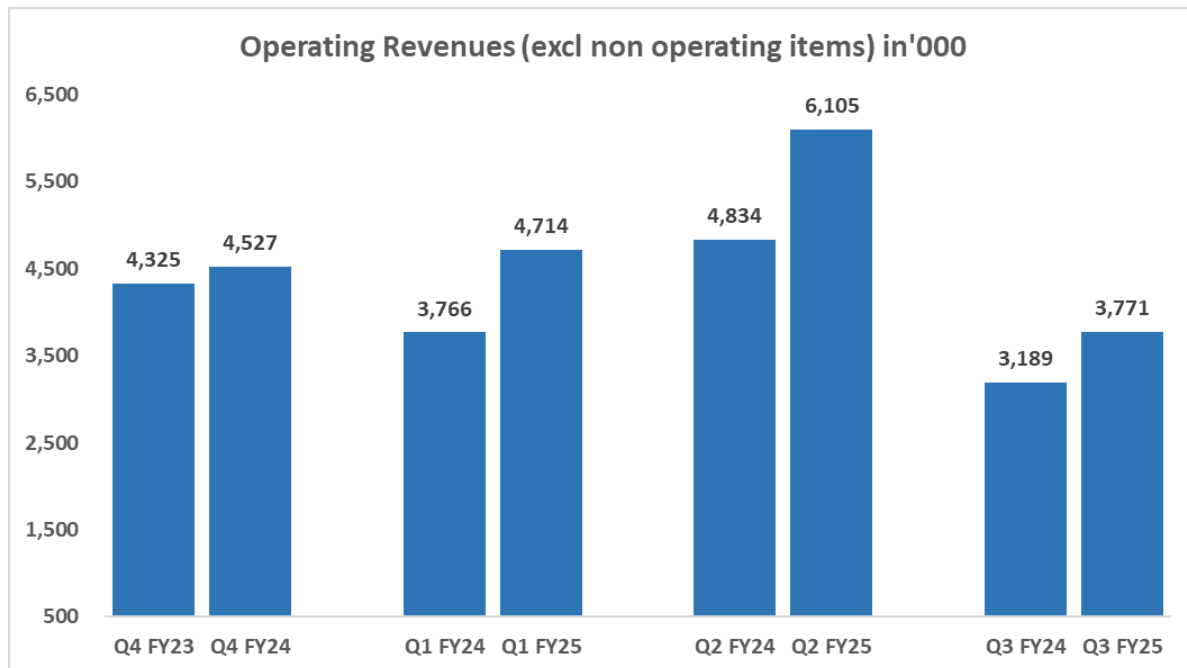
- **Highest quarter 3 revenues reported in the last 3 years.**
- **Cash inflows of \$3.77 million, up 18.2% from the same quarter previous year driven by higher revenue across Frequent Values and Paid Advertising revenues.**
- **Frequent Values program continues to benefit from strong growth. Approx. 14,000 new members added during the quarter, continuing the quarter-on-quarter growth trend.**
- **Q3 Fundraising sales seasonally low, but 8% above Q3 24.**
- **Card Linked Offers (CLO) program continues to develop, with better structure and plan for profitability.**
- **Significant changes achieved in the \$22.5 million convertible loan terms and conditions resulted into classification of \$22.5 million debt as equity in the financials and NIL interest cost effective from 1 January 2025.**
- **Organisation revamp with significant reduction in IT contractors and outsourcing of customer service/operations roles. Effective savings of around \$1 million on an annualised basis.**
- **Net Operating cash loss of \$2.60 million:**
 - **Up from cash loss of \$1.37 million from the previous quarter due to lower revenues driven by seasonality.**
 - **Up 16% from the same quarter in the previous year due to increases in both marketing costs and sales staff costs as we invest in our revenue growth strategy.**
- **Cash and cash equivalents of \$0.94 million at end of quarter.**

Commenting on the quarter, Entertainment Chief Executive Officer Heidi Halson said: *"While Q3 is seasonally the lowest quarter of the year, Q3 25 continued our trajectory of positive revenue growth. This has been led predominantly by the Enterprise Division and Paid Advertising which is recognition of the confidence that the corporate world has in our products and our capabilities to deliver results. Along with that, we've been able to take a keen look at the cost structure of the business, based on many years' experience. Some expenses have been reduced but not compromised with quality vendors off-shore, some eliminated altogether, and some repurposed towards revenue generating initiatives, with a net annual reduction of \$1m. We are very excited in particular, about the enthusiasm and positivity from the fundraising distribution channel. The Entertainment fundraisers have shown improvement over Q3 24 of 8% and are preparing for our seasonally important fourth quarter ahead. With a leaner, more efficient and scalable structure, we are excited to continue to look for opportunities to grow the business, the community, and our people."*

Operational

Revenues

The Company reported an impressive revenue increase of 18% over same quarter last year driven by Frequent Values (83% growth) and Paid Advertising (40% growth) revenues. Other key revenue streams i.e. Membership sales and Gift card revenues also witness growth over same period albeit at a lower rate. We continue to make impressive strides in our revenue pivot journey as reflected below.



Operating Losses

The Company reported a net operating loss of \$2.60 million, an increase of 16% from a net operating loss of \$2.24 million from the same quarter last year. The increase in the net operating loss from the same quarter last year is due to investment in direct marketing costs and fundraiser focussed direct sales staff as part of our revenue pivot strategy. Net operating loss is higher than the last quarter due to seasonality as Q3 is our lowest revenue quarter.

Entertainment Membership

This quarter we launched a 'mini booklet' to support schools in the pilot cities of Adelaide, Perth, Brisbane/Gold Coast and Sydney. Having something physical to send home with each student in the school was undertaken as a trial to replicate the previous success of the Book fundraiser historically. We have seen an uplift in performance in the pilot cities' test schools and are excited to expand this initiative. We also continued with our strategy of providing our Fundraisers with motivational events and webinars throughout the quarter.

App features and merchant content continue to be an important focus with the launch of the impressive new travel offers promoted to Members this quarter. Commitment has been made by the business to next roll out loyalty levels in the app with even greater rewards for Members.

Frequent Values

The B2B program, Frequent Values, delivered another robust quarter of performance. Successful audience activation campaigns across multiple clients resulted in 6% surge in activated users on the App. Moreover, we launched a FV program for a new client, renewed key clients and are currently engaged in advanced discussions with several prospective clients.

Gift Cards

Gift Card offers continue to be highly valued by Members and we continue to ensure we have best in market value for our Member base. With the growth of the inbound Chinese traveller, we should be able to expand this offering even further with products to meet market needs.

Paid Advertising

This quarter's growth has primarily come from new opportunities from existing partners, such as the new printed school booklets. Next quarter this focus will shift to expanding new partner opportunities especially in the travel space.

Seamless Rewards

There is steady growth in demand for card linked offer products especially in the Enterprise Division. We are well progressed with expanding our product offering in this area and well positioned to deliver this product in line with demand.

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Financials

Comparison with Same Quarter last year.

<u>Particulars</u>	<u>Quarter (Jan'25-Mar'25)</u>	<u>Quarter (Jan'24-Mar'24)</u>
1. Cash Receipts	\$3.77 million	\$3.19 million
2. Net Operating Loss	\$2.60 million	\$2.24 million

Cash receipts increased 18% driven by higher collections across Frequent Value and Paid Advertising revenue streams. Net operating loss increased, largely driven by an increase in direct marketing costs and sales staff salaries as we strategically invest to achieve revenue growth.

As detailed in the attached ASX Appendix 4C, the Company had \$0.94 million in cash and cash equivalents as at 31 March 2025.

Comparison with Previous Quarter.

<u>Particulars</u>	<u>Quarter (Jan'25-Mar'25)</u>	<u>Quarter (Oct'24-Dec'24)</u>
1. Cash Receipts	\$3.77 million	\$6.10 million
2. Net Operating Loss	\$2.60 million	\$1.37 million

Cash Receipts were significantly lower due to seasonality with Q3 being the lowest revenue generating quarter in the fiscal year. Net operating loss is higher also due to lower revenues.

Related Party Disclosures.

Pursuant to Listing Rule 4.7C.3 and as disclosed in Item 6.1 of the attached Appendix 4C, \$51k was paid in respect of directors' fees to associated entities of the directors and \$83k was paid for interest and line fees to associated entities of directors. The interest and fees are in relation to the loans provided to the Company by associates of the directors and Suzerain, the terms of which have previously been disclosed to the market.

This announcement has been authorised for release by the Board of Directors of Entertainment Rewards Ltd.

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CFO and Company Secretary

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About Entertainment Rewards Ltd

Through its Entertainment-branded subsidiaries, Entertainment Rewards provides a marketplace for offers and rewards which connects merchants wanting more business with consumers seeking entertainment, lifestyle, and leisure experiences at great value.

Founded in 1994, Entertainment is a trusted and iconic source of member-only offers and deals that manages the largest and most comprehensive amount of entertainment-related merchant content; provides fundraisers, merchants and enterprises with advanced data and campaign analytics; and markets to the largest closed-group of subscription-paying members in Australia and New Zealand.

It generates revenue through member subscription fees and marketplace features that provide data-as-a-service and targeted campaign value to merchants, enterprise, and fundraising partners.

www.entertainmentrewards.com.au

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Appendix 4C

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

Name of entity		
Entertainment Rewards Ltd		
ABN	Quarter ended ("current quarter")	
43 167 603 992	31 Mar 2025	
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	3,771	14,590
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(3,305)	(10,675)
(c) advertising and marketing	(232)	(639)
(d) leased assets	-	-
(e) staff costs	(2,333)	(7,298)
(f) administration and corporate costs	(371)	(829)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	7	16
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (GST refunded/(paid), old tax liabilities)	(141)	(499)
1.9 Net cash from / (used in) operating activities	(2,604)	(5,334)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(g) entities	-	-
	(h) businesses	-	-
	(i) property, plant and equipment	-	-
	(j) investments	-	-
	(k) intellectual property	-	-
	(l) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (security deposit returned)	7	7
2.6	Net cash from / (used in) investing activities	7	7

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	2,000	4,641
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	(46)	(224)
3.8	Dividends paid	-	-
3.9	Interest and other costs of finance paid	(37)	(112)
3.10	Net cash from / (used in) financing activities	1,917	4,305

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,623	1,969
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,604)	(5,334)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	7	7
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,917	4,305
4.5	Effect of movement in exchange rates on cash held	(1)	(5)
4.6	Cash and cash equivalents at end of period	942	942

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	942	1,623
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)		

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	51
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p>Payment for directors' fees to associated entities of directors of \$51K.</p>		
<p><i>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.</i></p>		

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7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	6,700	6,200
7.2	Credit standby arrangements	-	-
7.3	Other	-	-
7.4	Total financing facilities	6,700	6,200
7.5	Unused financing facilities available at quarter end		500
7.6	<p>Interest bearing Loan (Previously Converted Loan facility)</p> <p>Interest rate:10%</p> <p>Maturity date: Amended to 31 December 2026 (Previously 31/12/2025)</p> <p>Security: First ranking security over all the Group's present and future property</p> <p>Principal Drawn down as at 31 March 2025: \$0.50m</p> <p>Available funds as at 31 March 2025: \$0.00m</p> <p>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. Company signed an amendment deed in August 2023 to defer the Principal and Interest payment to December 2024, 2nd amendment deed in December 2023 to defer the Principal and Interest payment to December 2025, and 3rd amendment deed in December 2024 to defer the Principal and Interest payment date to 31 December 2026. The current principal outstanding as at 31 March 2025 is \$0.50m and interest outstanding is \$0.30m.</p>		
	<p>Transformational Capital Facility</p> <p>Interest rate:12.5%</p> <p>Maturity date: 31 December 2026 (Previously December 2025)</p> <p>Security: Second ranking security over all the Group's present and future property</p> <p>Principal Drawn down as at 31 March 2025: \$1.200m</p> <p>Available funds as at 31 March 2025: \$0.00m</p> <p>A further \$1.2m facility was 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). During the AGM in December 2020, the resolutions were passed to enter a second ranking security deed (ranking behind Suzerain). Company signed an amendment deed in July 2024 to defer the Principal repayment date to December 2025 and another amendment deed in December 2024 to defer the Principal repayment date to December 2026. The current principal outstanding as at 31 March 2025 is \$1.20m and interest outstanding is \$0.008m.</p>		

Suzerain Investment Holdings Ltd Convertible Loan Facility (Novated from New Gold Coast Holdings)

Interest rate: 12.5% per annum

Maturity date: 31 December 2026 (Previously 31/12/2025)

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

Principal Drawn down as at 31 March 2025: \$22.5m

Available funds as at 31 March 2025: \$0.00m

New Gold Coast Holdings \$5m Loan facility was approved on 3 June 2021. During the Annual General Meeting in January 2022, the resolutions were passed to enter a second ranking security deed (ranking behind Suzerain). On the 16th of March 2022 IncentiaPay Ltd announced it has secured additional funding of \$17.5M from New Gold Coast Holdings Limited via a conditional non-binding convertible loan deed increasing the loan facility limit to \$22.5m. Approval was gained from Shareholders in May 2022. The original funding agreement has been superseded by this new funding deed and has changed the maturity date from December 2022 to December 2024. An amendment deed was signed with the debtholder in April 2023 to defer interest payments on the loan until 31 December 2024 and to reduce the monthly administration fee by 25%. Another amendment deed signed in December 2023 to defer the principal and interest payment until 31 December 2025. Novation Deed was signed in October 2024 to novate the loan in favour of Suzerain from New Gold Coast Holdings. Suzerain signed another amendment deed in January 2025 for the following changes effective from 31 December 2024:

- a. Option to convert shifted to the Company
- b. Interest Rate : 0%
- c. Conversion Price: Fixed at 2.2 cents
- d. Interest Payment deferred to 31 December 2026
- e. Principal Payment deferred to 31 December 2026 (subject to shareholder approval)

The current principal amount outstanding as at 31 March 2025 is \$22.5m and interest outstanding is \$4.53m.

Convertible loan note totalling \$22.5 million has been reclassified to equity reserves in accordance with AASB 132, and are therefore not included in Section 7 of the Appendix 4C.

Suzerain Investment Holdings Ltd Loan Facility (Unsecured Loan)

Interest Rate: 13.0% per annum

Maturity Date: 31 December 2026 (Previously 31/12/2025)

Security: Unsecured loan

Principal Draw down as at 31 March 2025: \$4.5m

Available funds as at 31 March 2025: \$0.5m

Company signed a \$5 million unsecured loan facility with Suzerain Investment Holdings in June 2024 to fund its revenue pivot strategy and an amendment deed in December 2024 to defer the principal and interest payment until 31 December 2026. The current principal amount outstanding as at 31 March 2025 is \$4.5m and interest outstanding is \$0.19m.

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(2,604)
8.2	Cash and cash equivalents at quarter end (item 4.6)	942
8.3	Unused finance facilities available at quarter end (item 7.5)	500
8.4	Total available funding (item 8.2 + item 8.3)	1,442
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.6
<i>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.</i>		
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?	
<p>Answer: Company expects operating cash flows to improve in the coming quarters as historically, quarter 3 is the lowest revenue generator compared to other quarters due to seasonality factor. With costs mostly fixed in nature, higher revenues in the next quarters will lower the net operating cash losses. Additionally, company has registered strong growth in the revenues over last 3 quarters compared to the same period last year and expect to continue such growth resulting into lower negative operating cash flows.</p>		

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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: Company has initiated discussions to raise additional debt from the existing lender. Discussions with the existing lender indicates that company would be able to raise the required additional debt before the end of next quarter.

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: Yes, company expects it to be able to continue its operations on the basis of expected increase in the revenues under new strategy and approval of the new debt facility. Both these factors combined is expected to help the Company to achieve cash break even in the near future.

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.

Authorised by: Board of Directors.

Date: 29 April 2025

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 – e.g., 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.