

FY21 Third Quarter Activity Report and Business Update

Cashwerkz Limited (ASX:CWZ) (ABN: 42 010 653 862) (Company) (Cashwerkz) is pleased to provide an update on its activities for the quarter ended 31 March 2021.

Overall, our Q3 results represent great progress in positioning the business for strategic growth and to deliver on our mission. Significantly, group revenue increased 250% on the same time last year and remains markedly higher than previous years.

The current low-rate environment continues to put pressure on investor's deposit revenue, our continuing expansion into new bond income products provides additional investment opportunities for clients, supporting continuing activity and growth for the group.

While we continue to transition our business, this quarter's results point to positive momentum across the business, as we begin to realise the benefits of our ongoing transformation and growth strategy.

OUR MISSION

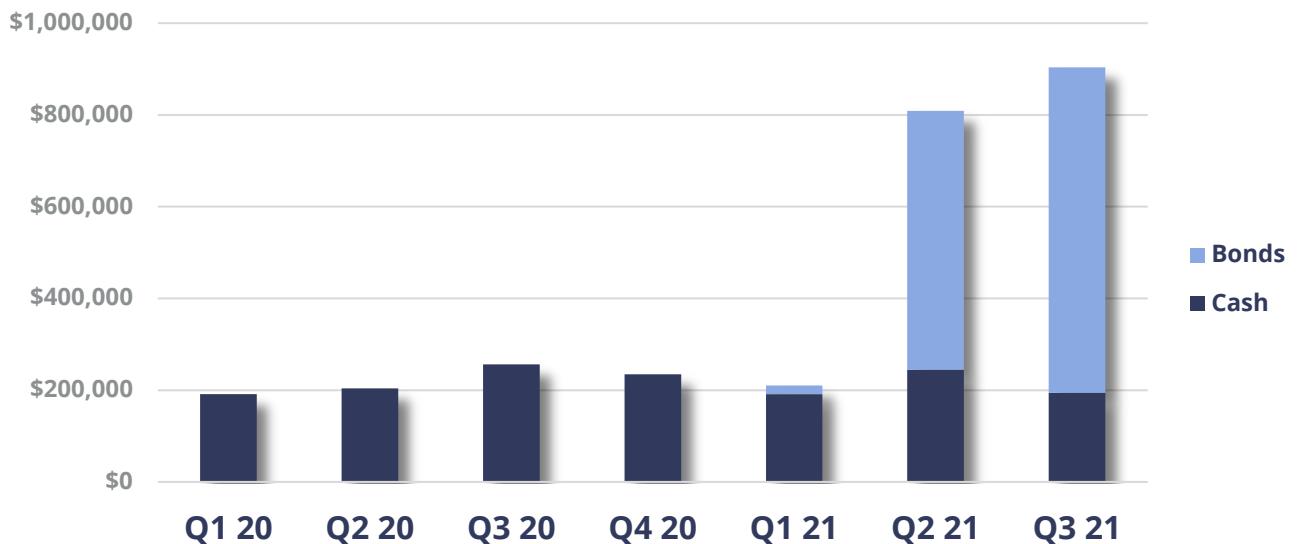
To become the leading provider of stable investment products in Australia for experienced investors. We offer stable income investments in deposits, securities and funds, efficiently and ethically, using the world's best-recognised tools.

Our Fund Income business helps to incubate and grow a great range of leading funds in their asset class.

Q3 HIGHLIGHTS

- Underlying revenue, excluding the R&D grant received last year, increased 12% on the previous quarter, this includes the seasonally quiet January. Underlying revenue has increased 250% on Q3 FY2020. The Group strategy is demonstrated by revenue moving from an average of \$220,000 per quarter in the previous year to over \$800,000 in Q2 and increased again to over \$900,000 in Q3, setting the business momentum for Q4.
- Costs decreased compared to Q2, which had included one-off costs related to restructuring and diversifying the Group's activities to set the business up for future growth. Adjusting for this one-off restructure and Group changes, Q3 cash outflow was \$1.465m which is \$695,000 lower than Q2 results.
- Our \$4.5m note raising completed in January, providing funding for our growth strategy and a foundation to invest in our growth businesses for the future.
- In Q3 we increased the value of assets under custody by 80% and onboarded 70 custodial bond clients and 18 trading counterparties.
- Universe of tradeable Bonds increased from 150 to over 500.
- Bond transaction numbers have increased 119% on the prior quarter reflecting the growth in client numbers, universe of tradeable bonds and increased dealers.

Quarterly underlying revenue



FINANCIAL HIGHLIGHTS

Our financial position in Q3 reflects our work to create a foundation for a strong and growing business, across our three key business lines.

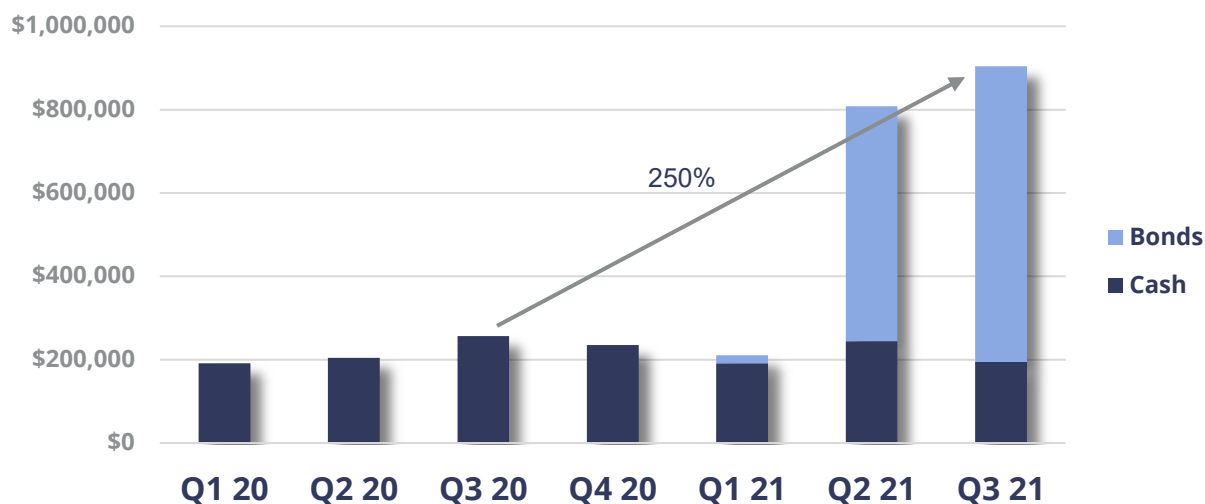
Growing revenue in our BondIncome business, stable Funds on platform, combined with stable costs, demonstrate the anticipated trajectory for the group, despite the persistent low-interest environment. It is worth highlighting that we are enticing clients to join us because of our transparency and ethics. Being a listed entity, clients know we will disclose our dealings and will always work in the client's best interest. Unlike our competitors, we will not introduce fees to entrap clients, nor will we sell them bonds at prices that professional investors will not pay. Our research, our compliance and our bond issuance are all managed by external parties, acting in the best interest of investors. Our competitors all house these activities in-house, where conflicts abound. We see these as key differentiators and the right way to do business.

Revenue

Underlying revenue increased 12% this quarter, with the BondIncome business delivering a 26% increase on the prior quarter. This represents a positive and material change in the revenue history of the group. The group has historically generated approximately \$1m in revenue per year and is currently approaching \$1m of revenue per quarter.

The rise in revenue was underpinned by an increase in new customers, and a doubling of trading levels. We anticipate that these factors will continue to feed revenue growth in future quarters.

Quarterly underlying revenue



A particular highlight is that bond revenue increased significantly, continuing to grow throughout the quarter, with the exception of January, which was impacted by seasonal variances and onboarding new staff.

On the other hand, revenue from the Deposit business was down \$50,010 compared to last quarter, a direct result of compressed margins due to the low-interest environment. Funds on platform for the quarter remained stable at \$1.18bn. With the repositioning of this business targeting corporates, family offices and Not-For-Profits and the launch of the At-Call product in May, we expect funds on platform to grow.

Costs

Costs were down across most categories in Q3 compared to the previous quarter.

In Q2, we increased our expenses for one-off items, with the building of the BondIncome and FundIncome businesses and investment in Fortlake Asset Management - these were not repeated in Q3. These included:

- share-based payments, including performance rights issued to new employees and rights issued in the acquisition of Fortlake Asset Management.
- redundancy costs not repeated in Q3.
- one-off legal and consulting costs connected to the establishment of the bonds and funds businesses.

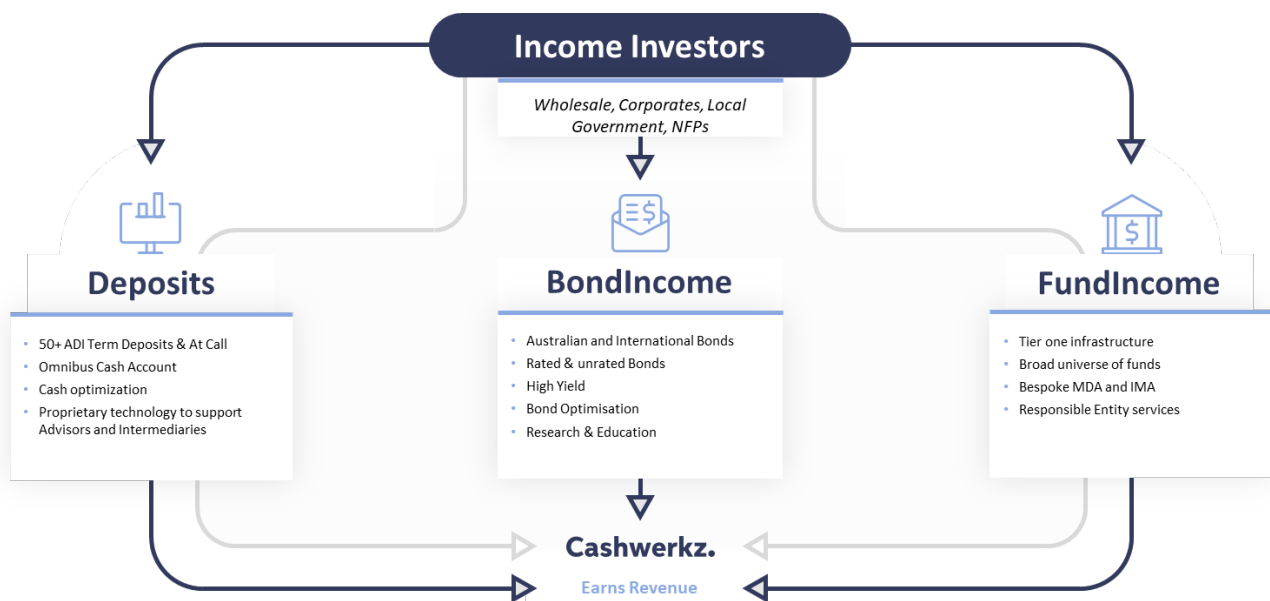
However, interest costs were up quarter on quarter. This was a result of:

- the cost of borrowing under a note issued in December 2020, and
- interest costs incurred on a facility to fund bond trading transactions.

As our business grows, we will seek to fund bond purchases using retained earnings, rather than an overdraft, reducing interest costs. We expect our costs to remain stable in Q4 and our revenue growth to continue.

BUSINESS HIGHLIGHTS

The three pillars of our business, Deposits, BondIncome and FundIncome are individually performing well. Importantly, we are also seeing increasing cross-sales and relationship developments across our client base.



Deposit business

This quarter, we added four globally-branded and rated banks to the CWZ panel. This means we continue to offer a broad range of 50+ domestic and international bank cash investment options to depositors, creating greater investment opportunity and choice.

With the addition of a new Deposit business leadership team under Bianca Burt, we are also pleased to announce the launch of Treasury Management Services (TMS), our outsourced Treasury function for corporates, family offices and Not-For-Profits. TMS brings together institutional-grade products, management and governance, including:

- active liquidity management, including bespoke liquidity products
- foreign exchange and currency hedging
- Responsible Entity and Custodial management
- Risk Management.

TMS is a joint venture between Cashwerkz, Fortlake Asset Management, the first fund we have incubated and Tactical Global Management (TGM).

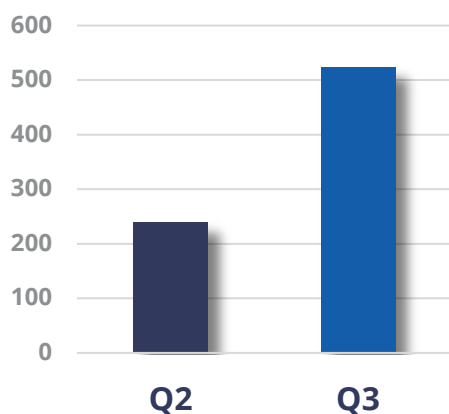
Fortlake Asset Management has been in a joint venture with TGM from launch. TGM brings 24 years of asset management experience and \$30bn of FUM across their client portfolios. We have built a highly credentialled team of experts under the TMS umbrella, to act as advisers to clients who seek input to their decisions and structures for treasury mandates.

BondIncome business

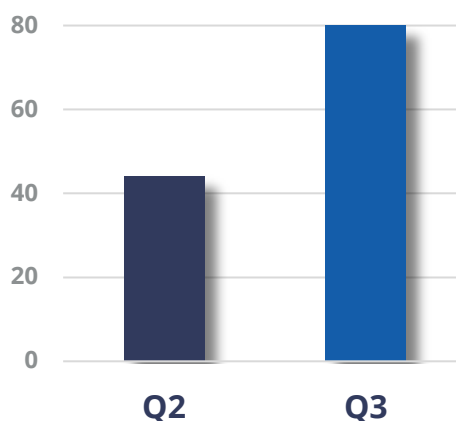
In Q3, we increased our selection of bonds available for investment from 150 to more than 500. These include rated and unrated options, offering a variety of yield opportunities and risk–return trade-offs, broadening the income sectors available to our clients.

The increased market opportunities saw a doubling in the number of trades compared with the previous quarter and similar growth in Custody holdings.

Trade volumes



Total custody (\$ million)



FundIncome business

In our fund management incubator business, Fortlake Asset Management received its first rating-house assessment from SQM Research, with its two retail funds receiving Buy recommendations.

Payments to related parties of the entity and their associates – Section 6

With reference to payments to related parties (Section 6 of the attached Appendix 4C), item 1 comprises payments to directors and their associates and to the Group CEO of a total of \$133,363, including director fees of \$64,500, salaries (including superannuation) of \$50,001, and interest on issued notes of \$18,862. Item 2 is comprised of payments to Fortlake Asset Management Pty Ltd of \$105,739 under an agreed loan facility.

LOOKING AHEAD

Our Q3 figures point to positive momentum across the business, as we maintain our focus on providing cash optimisation, fixed-income trading and issuance, and fixed-income funds management, to wholesale, sophisticated, corporate, local government and Not-For-Profit clients.

Deposits

We will continue to reposition the cash business to focus on corporate, platform providers and institutional sectors, where companies hold large pools of cash, and we are currently quoting over \$4bn in mandates.

In May 2021, we will launch a new At-Call offering. This product will enable clients to receive up to 0.45% on At-Call deposits. We are targeting around \$500m in deposits this calendar year from this initiative.

BondIncome

We are expecting considerable growth in this business with secondary market and primary market revenue and associated Assets in Custody growth.

We are working on three new high-yield issues from corporate issuers, with the business acting as Joint Lead Manager/arranger and distributor.

Additionally, BondIncome will soon launch a new online platform to enable clients to securely manage their holdings, leveraging the existing Cashwerkz Deposit platform. Innovation, the use of market leading technology, and creating a workplace for the very best talent to deliver for our clients, will see us scale this division effectively.

Fund Income

We are undertaking confidential discussions with several potential managers, taking a selective approach to adding funds to our FundIncome offering. Meanwhile, we continue to focus on the growth of the Fortlake Asset Management fund, which we are confident has strong performance prospects for the future. We will update the market as milestones are achieved.

Charitable partnership

We are excited to announce that from the 3 May 2021, Cashwerkz will enter into a strategic partnership with The Smith Family, enabling the business to contribute positively to the community it operates in.

The Smith Family is Australia's leading children's education charity, providing young Australians from disadvantaged backgrounds with the extra tools and support they need to succeed at school, so they can create better futures for themselves.



Jon Lechte
Chief Executive Officer

This announcement was approved for release by the Board of Directors.

ENDS

For more information please contact:

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About Cashwerkz Limited

The Cashwerkz Limited Group of companies delivers an innovative income investment marketplace including, Bonds, At Call and Term Deposits and managed fixed income investments. Cashwerkz now includes, BondIncome and FundIncome as its revenue and asset creating divisions. Listed on the Australian Securities Exchange (ASX:CWZ) the group is headquartered in Australia. The Group consists of the following companies:

- Cashwerkz Limited ABN 42 010 653 862 AFSL 260033;
- Cashwerkz FI Limited ABN 86 111 273 048 AFSL 283119;
- Cashwerkz Technologies Pty Ltd ABN 70 164 806 357 AFSL 459645;
- Trustees Australia Limited ABN 63 010 579 058 AFSL 260038; and,
- FundIncome Pty Ltd ACN 643 600 088.

Appendix 4C

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

Name of entity

Cashwerkz Limited

ABN

42 010 653 862

Quarter ended ("current quarter")

31 March 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1.1 Receipts from customers and other sources of income	571	1,238
1.1.2 Net proceeds from sale of financial instruments	434	671
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(657)	(1,836)
(c) advertising and marketing	(29)	(103)
(d) leased assets	(13)	(75)
(e) staff costs	(1,576)	(4,779)
(f) administration and corporate costs	(559)	(1,513)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(77)	(94)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	440	1,087
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,466)	(5,404)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(8)	(101)
(d) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(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	-	-
(e) intellectual property	-	-
(f) other non-current assets	24	(100)
2.3 Cash flows from loans to related party	(106)	(434)
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(90)	(635)

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	3,565	8,608
3.6 Repayment of borrowings	(1,514)	(4,114)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other – repayments of lease principal	(84)	(181)
3.10 Net cash from / (used in) financing activities	1,967	4,313

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	2,097	4,234
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,466)	(5,404)

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(90)	(635)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,967	4,313
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,508	2,508

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	2,508	2,097
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)	2,508	2,097

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	(133)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	(106)
<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>		

7. Financing facilities <i>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.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	2,500	-
7.2 Credit standby arrangements		
7.3.1 Other – Issued notes	4,500	4,500
7.3.2 Other – bond trading settlement (DVP) facility	5,000	-
7.3.3 Other – Insurance funding	12	12
7.4 Total financing facilities	12,012	4,512
7.5 Unused financing facilities available at quarter end		7,500
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.		
<p>7.1 Jon Lechte – Unsecured facility to be used to purchase inventory or facilitate settlements for the Bond Income business. Interest rate of 5.01% and repayment with 30 days' notice.</p> <p>7.3.1 Issued notes – Unsecured facility. Interest rate of 6% and repayment date of 24 December 2023.</p> <p>7.3.2 Bond trading settlement (DVP) facility – Secured over the traded securities. Interest rate of 3.5%, settled up to T+5.</p> <p>7.3.3 Monument Funding – Unsecured facility. Interest rate of 2.44% and repayment date of 30 May 2021.</p>		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,466)
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,508
8.3 Unused finance facilities available at quarter end (item 7.5)	7,500
8.4 Total available funding (item 8.2 + item 8.3)	10,008
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	6.8
<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?	
Answer:	

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:

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:

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 2021

Authorised by: By the Board of Directors

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.