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Australian Bond Exchange Q4 FY22 Quarterly Activity Report

29 July 2022

Australian Bond Exchange Holdings Limited (ASX:ABE) (“Australian Bond Exchange” or “the company”) releases its Appendix 4C Quarterly Cash Flow Report and Business Update for the quarter ended 30 June 2022 (Q4 FY22).

Highlights

- Private client revenue grew by 16% over the prior quarter and is up 245% compared to the same period last year.
- Growth was achieved through increased contributions from all private client revenue sources including brokerage revenue, trading margin, and bond product origination fees.
- Launched the Rolls Royce 5.5% and Goodyear Tire & Rubber Company 4.5% Bond Linked Securities adding to ABE’s suite of unique first to market bond products.
- ABE continued to increase its marketing efforts contributing to an increase of approximately 68% new clients over the quarter.
- Positive net operating cash flow of \$1.1m for the quarter
- Strong debt-free balance sheet with available net cash of \$9.0 million

Australian Bond Exchange Holdings Limited (“ABE” or “the company”), an innovative financial services company providing access to the OTC bond market for private investors, is pleased to report strong private client revenue growth in Q4 FY22 continuing on its path to make bonds more accessible to retail investors and leveraging this largely untapped market in Australia.

During Q4 FY22 ABE’s private client revenue was \$666k, growing 16% over the prior quarter and up 245% compared to the corresponding period the previous year. This growth was achieved through increased contributions across all private client revenue sources – brokerage revenue, trading margin, and bond product origination fees:

- Private Client Brokerage revenue was 190% higher compared to Q4 FY2021
- Private Client Trading revenue up 140% versus Q4 FY2021
- Bond Product Origination revenue up 511% versus Q4 FY2021

As previously noted, institutional trading revenue is opportunistic and will be booked as generated. All revenue generated in the quarter was derived from the growth in the private client business which is a key strategic priority for ABE.

Of note during the period was the launch of another two new bond products with a face value \$18 million adding to ABE's first to market product suite. The first was the Goodyear Tire & Rubber Company 4.5% Bond Linked Security which was launched in April. In June the Rolls Royce 5.5% Bond Linked Security was launched and oversubscribed by 60% leading to an upsize of the deal to accommodate the increased demand.

Bond linked securities are available to both wholesale and retail investors and the existing portfolio of products available through ABE linked to Jaguar Land Rover, Rolls Royce, Xerox Corporation and Goodyear Tires totals \$48 million face value.

The two new products were created via the innovative collaboration with ABE's global network of financial institution counterparties. This is in line with ABE's strategy to make it easier for retail investors to trade in the OTC bond market by providing attractive investments specifically designed for the Australian private investor.

During the quarter ABE increased the spend on marketing by a further 333% to \$0.34m, which contributed to 68% more new clients transacting during the quarter compared to the prior quarter.

Net operating cash flow for the quarter was positive, noting that the cash position needs to be viewed in conjunction with its inventory holding, receivables and payables to give a true reflection of the funding available to the business. At the end of the period, ABE was holding \$1,639,000 of inventory which is immediately available for sale to investors. The change in inventory balance, from \$5,398,000 at the end of the previous quarter resulted in a net positive operating cash flow.

Use of Funds

In accordance with ASX Listing Rule 4.7C.2, Australian Bond Exchange Holdings Limited provides the following update on its use of funds (unaudited) below.

Use of Funds	Use of funds as per Prospectus (\$AUD'000)	Expenditure Quarter ended 30 Jun 2022 (\$AUD'000)	Total Actual Expenditure (\$AUD'000)
Sales and Marketing	6,592	1,059	2,594
Further Development of ABE technology and Intellectual Property protection	450	223	425
Operational Expenses	700	143	338
Working Capital	2,000	0	0
Inventory and Liquidity Funding	4,347	0	4,347
Expenses of the Offer	1,583	(61)	1,791
Total	15,672	1,364	9,495

Related party payments

In accordance with ASX Listing Rule 4.7C.3, and as noted in Item 6 of the Appendix 4C, Australian Bond Exchange Holdings Limited notes that \$38,000 was paid to related parties during the quarter ended 30 Jun 2022. These payments related to payments to BGA Capital Pty Ltd and Lannali Pty Ltd, whose advisers are related parties.

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About Australian Bond Exchange Holdings

Australian Bond Exchange Holdings (ASX: ABE) is an Australian financial services company that uses its proprietary technology to provide Australian Investors with access to the global financial markets. ABE has developed a direct, efficient and cost-effective system and method for facilitating the transaction and settlement of financial instruments that provides a transparent trading experience for investors, brokers and advisers.

In an era of low-yielding bank deposits, market uncertainty and increasing inflation, investors are searching for higher-yielding investments that offer greater capital protection. Through our innovative technology, we're eliminating barriers to entry to the bond market, providing improved access, more efficient trading, lower transaction costs, and introducing new levels of transparency.

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Appendix 4C

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

Name of entity

Australian Bond Exchange Holdings Limited

ABN

11 629 543 193

Quarter ended ("current quarter")

30 June 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	24,942	106,876
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(21,491)	(107,097)
(c) advertising and marketing	(338)	(539)
(d) leased assets	-	-
(e) staff costs	(1,620)	(3,386)
(f) administration and corporate costs	(350)	(1,576)
1.3 Dividends received (see note 3)		
1.4 Interest received	10	13
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	1,153	(5,709)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(6)	(17)
(d) investments	-	-
(e) intellectual property	(246)	(570)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(229)	(564)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	15,672
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	61	(1,770)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	61	13,902

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	8,085	1,441
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,153	(5,709)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(252)	(587)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	61	13,902
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	9,047	9,047

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	9,047	8,085
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)	9,047	8,085

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	38
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.

Payments in 6.1 relate to payments to BGA Capital Pty Ltd and Lannali Pty Ltd, who's advisers are related parties

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	-	-
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.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	1,153
8.2 Cash and cash equivalents at quarter end (item 4.6)	9,047
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	9,047
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
<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: N/A	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: N/A	
<i>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.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 29 July 2022

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.