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Australian Bond Exchange Q3 FY23 Quarterly Activity Report

28 April 2023

Australian Bond Exchange Holdings Limited (ASX: ABE) (“Australian Bond Exchange” or “ABE” or “the company”) releases its Appendix 4C Quarterly Cash Flow Report and Business Update for the quarter ended 31 March 2023 (Q3 FY23).

Highlights

- Revenue for the quarter was \$1.27 million, an 83% increase compared to the same period last year and in line with the prior quarter.
- Revenue for the financial year to date is \$4.01 million compared to \$1.68 million for the same period last year, representing a 139% increase.
- Launched the Ford AUD denominated Bond Linked Securities further adding to ABE’s suite of unique products.
- Client numbers increased by 63% over the quarter and 59% year to date, driven by continued targeted marketing and sales activities.
- Transactional CBDC pilot commenced with Digital Finance Cooperative Research Centre (“DFCRC”) and the Reserve Bank of Australia (“RBA”)

Australian Bond Exchange, an innovative financial technology and services company providing access to the OTC bond market for private investors, funds and financial institutions, is pleased to report another quarter of strong revenue growth for Q3 FY23. ABE continues on its path to make bonds more accessible to Australian private investors and service this largely untapped market in Australia.

Australian Bond Exchange CEO Bradley McCosker said “We are very pleased to report another consecutive quarter where revenue exceeded \$1 million. We also continue to see high demand for our Bond Linked Securities, reflecting the fact that investors are looking for stable investment returns from bonds as an alternative to shares.”

Net operating cash flow for the quarter was negative \$1,320,000, showing an improvement of 20% compared to the previous quarter. ABE remains committed to enhancing its net operating cash flow performance in the upcoming quarters. The company aims to achieve sustainable levels of cash flow by maintaining strict discipline on expenses while continuing its focus on growth. This will ensure

that ABE maintains a healthy cash flow position over the longer term, allowing it to invest in future growth opportunities and create value for its stakeholders.

Operational Activities

During the period ABE launched and delivered to market \$12 million of the Ford AUD denominated 6.25% Bond Linked Security. Due to high client demand for the Dell Bond Linked Security, two additional tranches were delivered to market, taking the total value of the issuance to \$13 million.

ABE has now delivered in excess of \$100 million worth of Australian dollar denominated bond linked securities into the Australian market. These securities are linked to large multinationals such as Xerox Corporation, Dell Inc, Marks and Spencer amongst others.

ABE has continued to increase its sales and marketing activities to support its client acquisition strategy. During the quarter this resulted in an increase of new clients by 63%.

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 31 Mar 2023 (\$AUD'000)	Total Actual Expenditure (\$AUD'000)
Sales and Marketing	6,592	1,088	5,723
Further Development of ABE technology and Intellectual Property protection	450	126	864
Operational Expenses	700	261	961
Working Capital	2,000	0	0
Inventory and Liquidity Funding	4,347	0	4,347
Expenses of the Offer	1,583	0	1,804
Total	15,672	1,475	13,699

Central Bank Digital Currency ("CBDC") in Australia

As set out in the Prospectus, one of Australian Bond Exchange's strategic goals is to leverage its innovative technologies to reduce settlement trade times from T+2 to T+0 and significantly reduce settlement risk and transaction costs for our clients. This quarter ABE reached a significant milestone towards achieving this strategic goal.

Australian Bond Exchange was selected from 140 applicants as one of 13 successful use cases to participate in the CBDC Pilot. Australian Bond Exchange is now working with the DFCRC and the RBA on a transactional CBDC pilot that will explore Corporate Bond Settlement using the RBA central bank issued digital currency "eAUD" as a use case. The findings of the CBDC pilot are scheduled to be released around mid-2023.

Australian Bond Exchange Managing Director and CEO Bradley McCosker said: "We are excited to be part of the RBA pilot program and test how CBDC could provide investors with a more efficient and transparent settlement solution in the future. This aligns closely to Australian Bond Exchange's strategy to provide all investors with equal access to the financial markets."

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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 \$18,000 was paid to related parties during the quarter ended 31 March 2023. These payments related to payments to Lannali Pty Ltd, whose advisers are related parties.

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Company Secretary

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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

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transaction and settlement of financial instruments that provides a transparent trading experience for investors, brokers and advisers. This is coupled with advanced investor protections, provide an attractive venue for private investors, financial advisers, and investment professionals to access the global financial markets.

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")

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	33,539	114,875
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(32,936)	(112,125)
(c) advertising and marketing	(181)	(518)
(d) leased assets	(143)	(143)
(e) staff costs	(1,201)	(3,379)
(f) administration and corporate costs	(457)	(2,304)
1.3 Dividends received (see note 3)		
1.4 Interest received	59	163
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	(1,320)	(3,431)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(10)	(28)
(d) investments	-	-
(e) intellectual property	(126)	(439)
(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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	(136)	(467)

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	-	(14)
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	-	(14)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,590	9,047
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,320)	(3,431)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(136)	(467)

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
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	(14)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	5,135	5,135

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	5,135	6,590
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)	5,135	6,590

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	18
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<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> <p>Payments in 6.1 relate to payments to Lannali Pty Ltd, who's adviser is a related party.</p>		

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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>		
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)	(1,320)
8.2 Cash and cash equivalents at quarter end (item 4.6)	5,135
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	5,135
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	3.9
<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: 28 April 2023

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.