

Appendix 4C

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

Name of entity

1st Group Limited

ABN

25 138 897 533

Quarter ended ("current quarter")

31 Dec 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,409	3,426
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(563)	(1,550)
(c) advertising and marketing	(126)	(247)
(d) leased assets	(19)	(40)
(e) staff costs – Redundancy costs	(352)	(462)
(e) staff costs – Wages	(1,335)	(2,743)
(f) administration and corporate costs	(330)	(1,125)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(107)	(283)
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	(1,423)	(3,024)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(19)
(d) investments	-	-
(e) intellectual property	(3)	(3)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(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	-	-
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	(3)	(22)

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	-	(72)
3.5 Proceeds from borrowings	1,203	1,203
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	1,203	1,131

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	315	2,007
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,423)	(3,024)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(3)	(22)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,203	1,131
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	92	92

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	8	299
5.2	Call deposits	84	16
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)	92	315

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount for payments to related parties and their associates included in item 1	77
6.2	Aggregate amount for 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.

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. 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	5,700	5,203
7.3	Other (please specify)	-	-
7.4	Total financing facilities	5,700	5,203
7.5	Unused financing facilities available at quarter end		497
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><u>Key terms of the Standby Convertible note facility</u></p> <p>The credit standby arrangements relate to an original \$4 million facility with a cornerstone shareholder investor Mr John Plummer.</p> <p>The key terms of the facility are:</p> <p>Line fee reduced to 1% pa.</p> <p>Interest rate of RBA Cash Rate plus 8.5% pa, therefore currently 11.6% per annum, payable quarterly in arrears.</p> <p>Agreement to renegotiate interest rate further downwards following the Company achieving a cash flow breakeven quarter and an additional rate reduction on delivering three consecutive cash flow positive quarters.</p> <p>Usual covenants for a facility of this nature and scope including unsecured obligation, no debt subordination without consent, anti-dilution provisions etc.; and</p> <p>Facility can be repaid in full or reduced at any time at the election of the Company.</p> <p>Repayments falling due prior to 30 September 2023 have been extended until that date.</p> <p>John Plummer and Brook Adcock offered \$1.2m facilities each to the business, which has now been agreed.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,423)
8.2	Cash and cash equivalents at quarter end (item 4.6)	92
8.3	Unused finance facilities available at quarter end (item 7.5)	497
8.4	Total available funding (item 8.2 + item 8.3)	589
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.41
	<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: No.

\$4.4M of annualised cost reductions were implemented in Q2FY23 while subscription revenue and hardware orders increased. These increases were partly offset by a reduction in advertising revenue, Q2 cashflows were also impacted by one-off redundancy costs. The net cash usage forecast for Q3 is \$565K compared to \$1,423k for Q2.

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: Yes.

- The Company currently has \$589K in cash and unused finance facilities available.
- At the outset of Q2 1ST Group entered a new Debt Facility for \$1.2M with Adcock Private Equity on similar terms to the existing facility with another major shareholder John Plummer.
- The facility with John Plummer was also extended by \$1.2M.
- Both facilities can be converted to equity at the company's discretion.
- Subject to shareholder approval the company intends to convert approximately \$550K of the John Plummer debt to equity in Q4, which will further increase the available funding.
- The number of funding periods available following that conversion depending on timing and cash at the time will be approximately 2 quarters.

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.

The \$4.4M in cost reductions already achieved along with improving sales has markedly reduced our cash outflows. The ability to convert further debt to equity if required will provide the company the time required to grow revenues from our Telehealth offering which is already being well received across several sectors including Aged Care and PHN's.

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.

31 January 2023

Date:

By the Board of Directors

Authorised by:
(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.