



ReadCloud Limited

Chairman's letter

Dear fellow shareholders,

I am pleased to present ReadCloud Limited's (ASX:RCL, RCLO) first auditor reviewed financial report as a listed company.

This begins an exciting new era for the company as we embark on a growth strategy through further platform development and a concentrated sales effort with the planned employment of additional specialist sales resources and approaches to accelerate ReadCloud's penetration of the secondary school market in the first instance.

We have had a successful half year to 31 December 2017 (as an unlisted company) with Total Revenue of \$1,185,683 (1H17: \$548,549), a more than double increase of \$637,134, and an underlying EBITDA of \$336,349. Below is shown the details of the underlying EBITDA reconciled to the statutory position:

Underlying EBITDA	31 Dec 2017
Loss after income tax for the half-year attributable to the Owners of ReadCloud Limited	(95,559)
Add: Share Based Payments	208,585
Add: Amortisation & Depreciation	102,984
Add: IPO Costs	121,157
Less: Interest Income	(818)
Underlying EBITDA*	336,349

** EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for depreciation, amortisation, interest and tax.*

Factoring in IPO costs, share plan expenses and depreciation the Company has delivered a net loss after tax of \$95,559 for the half year to 31 December 2017.

Further H1 FY18 highlights for the Company include:

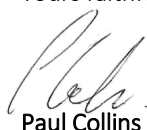
- A substantial increase in the direct school channel sales;
- Securing new publisher distribution agreements;
- Solid growth in new schools coming through resellers;
- An increased user and eBook penetration in existing schools;
- Schools committed to using the ReadCloud platform for 2018 grew to 68 as at 31 January 2018.

Both revenue and user numbers are tracking slightly ahead of budget representing nearly a doubling of contracted users over school year 2017. The Company is working with schools that have recently on-boarded on ReadCloud's digital eLearning platform and expects to confirm total contracted user numbers in the coming weeks once the school enrolments are finalised.

The company has a strong pipeline of schools and expects to on-board additional schools and users during the current half year.

I look forward to your continued support.

Yours faithfully,



Paul Collins
Chairman

27 February 2018