



21 April 2017

**By email**

The Manager  
Australian Securities Exchange  
Level 40, Central Park  
152-158 St George's Terrace  
Perth WA 6000

**Attention: Wade Baggott**

Dear Wade

**RE : RESPONSE TO ASX LETTER**

I refer to your letter dated 13 April 2017 and provide information as follows:

- 1. Please provide specific details of the activities the Company has undertaken in furtherance of the initiatives it said it was going to pursue in the Prospectus (as quoted in paragraph B above) and its progress in implementing those initiatives. If the Company has decided not to pursue any of those initiatives, please state that fact and explain why that it has done so.*

Since re-instatement the Company has taken the following steps to develop the AssembleBay platform and business.

**“Core Marketing Activities” listed in Section 7.2 (b) of the Prospectus and are referred to in item B of your letter.**

- Leaflet Distribution

As announced in May 2016 the Company advised that it would undertake a leaflet distribution campaign targeting 500,000 households in Perth, WA. This campaign was undertaken in June 2016. The aim of the campaign was to increase market awareness as well as drive traffic to the website. The campaign included a promotional offer for “free” assembly services based on the posting and successful completion of a job utilizing the AssembleBay platform. Analysis post the campaign showed no completed jobs resulted because of this campaign.

- AdWords

AdWords (Google AdWords) is an advertising service by Google for businesses wanting to display ads on Google and its advertising network. The AdWords program enables businesses to set a budget for advertising and only pay when people click the ads. The ad service is largely focused on keywords.

The Company launched its AdWords campaign in April 2016 to initially gauge the effectiveness of this form of marketing in attracting users to the site with a view to comparing this form of marketing with traditional marketing techniques. As per the announcement on 27 April 2016 the Company advised its intention to expand its AdWords campaign following close consultation with the Google team to design a targeted campaign and increase traffic flow to the platform.

On 10 May 2016, the Company appointed a specialized digital marketing agency (Agency) partner to assist with the optimization of the AdWords campaign and the reduction of cost per conversion (as measured by either a client posting a job on the website (Client) or a worker joining the website Worker)). Optimization to the campaign was conducted over the months in consultation with both Google and the Agency. As a result of the optimization the Company was able to reduce its AdWords costs by approximately 240%. The final months of the AdWords campaign saw a stabilization of the AdWords cost with no further optimizations being suggested to the Company by either Google or the Agency. The Company took this final stable result as a good baseline to gauge Google Adwords effectiveness.

As a result of the campaign an increase in traffic flow to the site was noted, however costs, as measured by conversions (ie: either a Client or a Worker) did not reduce to a level which the company considered would be economically viable to achieve critical mass.

In September 2016, the Company also attempted to utilize Microsoft's equivalent AdWords networks namely Bing Ads. As part of the campaign the Company established a digital campaign (based on all AdWords optimizations) on the network and monitored it for a month. The results of the campaign were similar to the Google AdWords campaign. That is to say that while there was an increase in traffic to the website, the costs, as measured by conversions (ie: either a Client or a Worker) did not reduce to a level which the Company considered would be economically viable to achieve critical mass. It was also noted that traffic on the Bing network was very low and that there would not be enough volume of search on the Bing network to achieve critical mass.

- SEO

The Company engaged the services of the Agency to undertake search engine optimization (SEO) activities. Search engine optimization (SEO) is the process of affecting the visibility of a website or a web page in a web search engine's unpaid results—often referred to as "natural", "organic", or "earned" results. In general, the earlier (or higher ranked on the search results page), and more frequently a site appears in the search results list, the more visitors it will receive from the search engine's users; these visitors can then be converted into customers. The digital marketing agency on behalf of the Company executed a full SEO strategy including:

1. Consultancy and keyword research
2. On-page optimization activities – adjustment of meta-tag, descriptions and page content optimization.
3. Development recommendations to make the website more search engine friendly and visible
4. Installation of an SSL certificate
5. Targeting of more than 100 key phrases
6. Development of sitemap for the website
7. Ongoing external link building activities
8. Ongoing blog posting activities focused on core keywords

The purpose of the SEO campaign was to look at reducing reliance on AdWords to drive traffic by targeting the search engine's unpaid results. While the SEO campaign had some success, and showed some increase in traffic to the platform, it did not provide the Company with a significant increase in traffic which would allow it to achieve critical mass.

- Social Media

The Company engaged the services of the Agency to undertake social media management activities. The Agency, on behalf of the Company, undertook posting across several social media platforms (Facebook, Twitter, Google+ and LinkedIn) on a daily basis five days a week. As part of the engagement, the Agency created posts and graphic content for the posts on an ongoing basis to create ongoing user engagement and interest. The purpose of the social media campaign was to increase awareness of the platform as well as to provide the Company an alternative means to communicate with its target audience. Finally the purpose was also to drive users to the website. While the Company was able to grow its number of followers on social media and gain some traffic from these activities, traffic from the website remained at a level that would not allow the Company to achieve critical mass.

The Agency also assisted the Company in the set-up and delivery of a Facebook advertising campaign targeting Clients and Workers. Much like Google AdWords – the Facebook advertising campaign charged the Company based on the number of times that ads were shown across the Facebook network.

Over the course of the paid Facebook campaign the ads and delivery were optimized by the Agency y.

As a result of the campaign an increase in traffic to the site was noted, however costs, as measured by conversions (ie: either a Client or a Worker), did not reduce to a level which the Company considered would be economically viable to achieve critical mass.

- Events

As critical mass was not attained the Company did not undertake the promotion or creation of any events.

- Referral Competitions

Referral competitions are generally best run once the number of users reaches at least 10,000 users. The reason for this is because for a competition to be successful the prize or prize pool must be of significant value. While the Company intended to run a competition, the lack of a sufficient number of platform users has not made it feasible to run this.

- Partnerships

In an effort to create partnerships with retailers the Company reached out to core staff of 10 retailers across Australia.

Out of the initiative the Company was able to attain initial engagement with two of Australia's larger retailers and also complete an in-person presentation to one of Australia's largest retailers.

The Company considered providing a number of different alternatives to the potential partners, including white label solution or a fully outsourced partnership based project.

Unfortunately, due to partner internal policies - the Company was not able to meaningfully move forward arrangements with these parties.

The Company also looked at partnership opportunities with one significant sporting team and one sporting organisation as potential partners for increase in the Company's market profile. The Company decided against these forms of partnership as costs were prohibitive and in the case of the sporting team there was also bad press being released around the time that the Company was discussing the opportunity.

- Targeting of Niches

Given the results of the other traditional media campaigns the Company decided that it was not an economical use of Company funds to target small niches as part of a distinct campaign. Users within the small niches were already being targeted and covered within larger campaigns being executed by the Company (AdWords, Facebook Advertising, Letterbox Deals, Human Billboards).

#### **Other Marketing Initiatives not mentioned in the Prospectus.**

In addition to the above activities detailed in the Prospectus the Company also did the following:

- Human Billboards Campaign

As announced in April 2016 the Company undertook a campaign utilising "human billboards" to connect with shoppers and hand out flyers in Perth, WA. The campaign was aimed to target a large retailer in the supply of flat pack furniture, and the Perth central business district. The aim of the campaign was to increase market awareness as well as target flat pack clients at the point where they were making a buying decision. The campaign targeted both Workers and Clients as both types of customers were likely to be found at these locations. An analysis of website traffic on the campaign days indicated that the Human Billboards Campaign had no significant effect on platform utilization.

- Posting on popular community service websites

As per the Announcement on 8 April 2016, the Company posted job offerings on Gumtree as well as responded to posts on Gumtree in an attempt to generate more traffic and interest in the platform. The Company looked for other websites to conduct similar activity but was not able to find other appropriate sites. The Company, as part of its other campaigns also posted on popular websites including Google+, Facebook, LinkedIn and Twitter. The results of this activity were minimal and the Company did not find it economically feasible to pursue this form of advertising to achieve critical mass.

- Geo Audience Targeting

As per the announcement on 19 October 2016 the Company conducted a Geo Audience targeting campaign targeting shoppers that were visiting major flat pack retailers across Australia. The purpose of the campaign was to target Clients while they attended retail outlets offering assembly services. While results from the campaign showed that AssembleBay ads had been shown to 202,977 potential customers and resulted in 808 clicks only 2 of these clicks resulted in a conversion as measured by a Client posting a job on the website. Again, given the cost of the campaign, the Company did not find it economically feasible to pursue this form of advertising to achieve critical mass.

- Digimatic cost per conversion

In a further attempt to reduce costs per conversion the Company reached out to ASX-listed Digimatic based on their market positioning of being able to deliver conversions at a set price. The Company looked at the possibility of achieving conversions based on a pricing point that would allow the Company to achieve critical mass. Digimatic was not able to provide the service and replied with a conversion cost similar to that achieved by the Company on Google AdWords and Facebook.

- Transit Media Advertising

As part of its marketing considerations the Company considered running advertising on buses and trams. Proposals received by the Company ranged between \$13,000 - \$20,000 for this type of activity for a 4-6 week campaign. Given the costs involved and the results that had been obtained by other traditional media the Company decided that this would not be the best possible use of Company funds to attract users to the website.

- Other Digital Marketing Agencies

In October 2016, the Company reached out to numerous other digital agencies to see if there were any other ideas for digital conversion and reducing cost as measured by conversions (ie: either a Client or a Worker). The responses received by the Company included activities already conducted by the Company and targeting SEO, Google Adwords and Facebook advertising. No proposals or ideas were provided to the Company which were deemed to enable the Company to achieve critical mass at a lower cost than what already experienced.

- eNewsletter

The company considered the launch of an eNewsletter but as user numbers did not reach 10,000 the Company did not consider this a good use of funds. eNewsletters require significant investment on each edition and are only effective with much larger user numbers than on the platform.

**“Roadmap for Development” listed in Section 7.2 (g) of the Prospectus and are referred to in item B of your letter.**

The activities described within the roadmap for development on the prospectus were relevant on the Company achieving critical mass. As the Company has not achieved critical mass the Company did not devote resources or time to these activities, namely:

1. A mobile app
2. Integration of paypal
3. Building of a calendar / work diary system for Workers
4. Automated verification systems

That said, the Company stated that it would “remain agile and ready to respond to any market demand or development”. During the initial phases of roll-out of the AssembleBay platform, the Company has indeed remained agile and made changes in support of marketing activities and the freemium model. Some of the larger changes made to the site include:

1. Launched website on new server – sped up website and increased reliability
2. Introduction of a promotional tracking code in job posting – in support of the Letterbox campaign
3. Adjustments to site to make 100% mobile compatible – in support of mobile traffic to website from AdWords and other Campaigns.
4. Adding of Facebook/ Google/ Bing & other tracking codes – in support of campaigns to track conversions
5. Added SparkPost as email delivery system for platform to ensure better email delivery. Customer support efforts noted that some customers were not receiving emails – by implementing SparkPost the Company was able to get better email delivery and give Clients and Workers an overall better experience.
6. Simplified emails being sent out to Workers to encourage Workers to come back to website and quote on jobs – improving user experience and reducing a need for the Company to find more workers.
7. Simplified job posting requirements for Clients to allow them to more easily post a job and not find any barriers to posting a job. Focused on improving cost per conversion and gaining more jobs on the platform.
8. Added code to stop users from posting their contact details in the job post and therefore circumventing the AssembleBay system.
9. Introduced system that allowed users to respond to each other via email without needing to log into the AssembleBay system but without circumventing the AssembleBay system. Focused on ease of use for customers.
10. Installed SSL on server to encrypt communication and in support of SEO.
11. Completed page speed changes as suggested by Google. Introduced GZIP on server for page delivery as well as introducing browser level caching. In support of user experience and SEO.
12. Automated generation of sitemap.xml in support of SEO campaign
13. Added ability for SEO to modify address as part of the blog posts to further optimize SEO
14. Introduced code to allow users to leave feedback for AssembleBay on third party platforms in support of overall platform and in support of conversion costs

**General Comment**

As clearly demonstrated by the above the Company, since re-instatement, has engaged in activities in furtherance of the initiatives it stated it in the Prospectus that it intended to pursue.

As noted in the market update on 19 October 2016 the activities undertaken by the Company, while increasing traffic to the platform resulting in Clients and Workers signing up, the costs of achieving the signups remained high. An analysis of the results received from the activities undertaken highlighted that the Company would require significant capital and marketing effort to receive what it considered to be a “critical mass” from which it could convert from a “freemium” business model to a model generating revenue. The Company also noted in this update that there had been an increase in the competitive landscape in the Home Services Market with increased activity from existing providers eg Airtasker, Seeking Service and Yellow Pages in addition to activity from new entrants.

The Prospectus highlighted the risks associated with the business model in Investment Summary (Section 4.3) and in more detail in Risks (Section 11) most notably:

- No Operating History – “AssembleBay has no operating history and the unproven potential of its proposed new business model makes any evaluation of the business or its prospects difficult. Although the AssembleBay website at [www.assemblebay.com.au](http://www.assemblebay.com.au) website is currently live and operational, there are currently no users”
- Marketing and sales success – “... By its nature, there is no guarantee that the Company’s marketing campaign will be successful and convert into new users for the AssembleBay website. In the event that it is not successful, the Company may encounter difficulty in bringing the AssembleBay Platform to market and creating awareness of the AssembleBay brand. This would likely have an adverse impact on the Company’s sales and profitability...”
- Attracting customers to the website – “The Company’s revenues will be affected by its ability to attract Clients and Workers to the AssembleBay website ...”
- Brand establishment and maintenance – “The Company believes that establishing and maintaining AssembleBay’s brand is important to growing its proposed Client and Worker base and product acceptance. This will depend largely on the Company’s ability to provide useful and innovative products. The actions of external industry participants may affect the brand if Clients and Workers do not have a positive experience using the platforms, devices or operating systems that provide access to AssembleBay’s products. If the Company fails to successfully establish and maintain its brand its business and operating results could be adversely affected”
- Marketplace liquidity risk “The Company will initially implement a “freemium” business model until critical mass is achieved, being a pricing strategy by which a good or service is provided free but a premium is charged for proprietary features, functionality, or virtual goods. The Company’s view is that critical mass for AssembleBay is estimated to be the region of 250,000 active users. If the Company cannot attract and retain sufficient numbers of Clients and Workers to the AssembleBay website, there is a risk that the Company will not make any revenue and will not achieve a commercial return. In addition, the Company’s business plan is dependent on having an active number of Workers bidding for jobs and Clients posting jobs. If both parts of this don’t develop then the Company’s financial results could be adversely affected”
- Competition – “The Home Services industry is highly competitive. Competition may arise from a number of sources including companies with greater capital resources. AssembleBay’s competitors include established businesses with significant market presence. Some of these companies have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. Despite the Company’s view that AssembleBay will be one of the only businesses dedicated to service the assembly services segment of the Home Services market, the Company’s performance could be adversely affected if existing or new competitors reduce the Company’s market share through aggressive competition or through increasing their own product offerings to include assembly services and/or related products and services. There can be no assurance that the Company can compete effectively with these companies”

**2. Please provide details of the number of staff (employees or consultants) who are engaged in the AssembleBay business. What are their roles and are they full - time, part - time or casual?**

The Company does not have any personnel other than the Directors. In addition to his duties as a Director Mr Davide Defendi is engaged as a consultant via consultancy arrangements with Privacy Media Pty Ltd. The nature of these arrangements were fully summarized in Section 8.5 and 8.6 of the Prospectus. Mr Defendi is paid on a daily rate for his services. Mr Defendi provides website design and enhancement services in addition to managing the Company’s marketing activities across both the physical and digital platforms.

The Company engaged with several external marketing consultants in the delivery of its marketing activities.

Consultants that were approved to carry out work included:

<b>Company</b>	<b>Service(s)</b>
SEO Shark	SEO, AdWords, Social Media
Sweeney Advertising	Geo Audience Targeting
Letterbox Media	Leaflet Delivery and distribution
Streetfighter Media	Human Billboards

In addition, the product development initiatives referred to above required the use of various contractors in the Philippines for software development and in Argentina for design. Contractors in these jurisdictions were used to keep costs to a minimum.

**3. Please comment specifically on the low levels of advertising and marketing expenditure and the nil staff costs disclosed in the Company's quarterly cash flow reports and how the Company reconciles this with the initiatives it said it was going to pursue in the Prospectus (as quoted in paragraph B above).**

The Company does not accept the proposition that there has been a low level of marketing and expenditure.

On the contrary, the Company has engaged in the activities consistent with those as disclosed in the Prospectus, and has done so in a controlled and prudent manner, learning from these activities and tailoring expenditure based on results and their success or otherwise. As results were received, the Company made appropriate decisions about future marketing activities to ensure shareholder funds were not wasted by engaging in activities that did not deliver shareholder value.

This is consistent with the approach disclosed in the Prospectus. Including the following disclosures in Section 6.6 of the Prospectus under the use of funds table:

*"The above table is a statement of current intentions as at the date of this Prospectus. Investors should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors, including the outcome of operational activities, regulatory developments and market and general economic conditions. In light of this, the Company reserves the right to alter the way the funds are applied.*

*Actual expenditure may differ significantly from the above estimates due to a change in market conditions, the development of new opportunities and other factors (including the risk factors outlined in Section 11)"*

For the two quarters from reinstatement ending 30 September 2016, the Company had expended \$167,000 (as disclosed in the quarterly appendix 4C reports) in marketing and sales initiatives which is in excess of 50% of the first year proposed expenditure for marketing and sales initiatives detailed in the Prospectus.

In October, the Company tested the proposition that user activity to the site was being sustained exclusively through direct marketing expenditure and whether the Company could maintain active users without such expenditure. The Company tested this by gradually reducing direct marketing expenditure in October. Site analytics show a direct correlation between expenditure and user activity.

Around this time, the Company became aware of a potential acquisition of a SaaS business. Since this time, the Company has been progressing towards the acquisition of this business. The Company has provided extensive submissions in relation to this proposed acquisition, which the ASX has provided comments on. The Company's securities are subject to voluntary suspension from trading pending execution of agreements by the vendors. It was initially expected that the acquisition would have been agreed and announced by the end of calendar 2016, however negotiations have taken considerably longer than expected.

The Company notes that it disclosed in its Prospectus that it would as part of its broader strategy (see sections 4.1 (question: What is the company's strategy?), section 7.2(h), section 6.6) evaluate and explore potential acquisitions of further strategic business opportunities with a focus on the technology industry, including application software, communication software, software as a service (SaaS) and social networking services, with the intention of creating additional value for Shareholders.

Given the results of the marketing activities indicated that significant levels of expenditure would be required to reach critical mass and with the ongoing negotiations in relation to the potential acquisition, the Company reduced its expenditure on marketing activities of the AssembleBay platform pending formal agreement for, and announcement of, the proposed acquisition.

**4. Please provide details of the numbers of Clients and Workers that have signed up to use the AssembleBay platform and the dollar value of quotes in the marketplace since the "Market Update" lodged by the Company with ASX on 19 October 2016.**

From 19 October 2016 to 18 April 2017 there have been the following Clients and Workers signed up to the platform:

94 Clients

82 Workers

Dollar value of quotes for the period: \$28,745.00

As per the above, the Company had reduced its expenditure on Marketing and Sales activities pending being able to announce the proposed acquisition.

5. *Please provide a breakdown of the amounts the Company has budgeted to spend on the AssembleBay business in its budget for the year ended 31 December 2017; &*
6. *Please comment on the difference between the amounts the Company has spent to date and the amount it budgets to spend over the remainder of 2017, compared to the proposed use of funds disclosed in the Prospectus (as set out in paragraph D above).*

As set out above, the Company had reduced its expenditure on marketing activities pending being able to announce the proposed acquisition. It was initially expected that the acquisition would have been agreed and announced by the end of calendar 2016, however negotiations have taken considerably longer than expected.

As a result of the proposed acquisition of the SaaS business, the budget to be spent on the AssembleBay business is under review and will be finalized as part of the completion of the transaction. As advised to the ASX as part of its submissions relating to the acquisition, it is the current intention of the Company to continue to operate the AssembleBay business albeit as a relatively small part of the Company's activities going forward.

7. *How does the Company currently assess the prospects of the AssembleBay business? Does the Company see any realistic prospect of that business being profitable in the near to medium term?*

The Company does not see any realistic prospect that the AssembleBay platform will be profitable in the near to medium term. Whether the business can be profitable will depend on whether the Company can reach a critical mass to introduce a revenue based model vs a "freemium" model as set out above it is the Company's view that this would involve significant expenditure. The Company notes that this "near to medium term view" is consistent with that disclosed in Prospectus (see section 4.3, 6.6, 11.1(bb)) where it clearly states that the Company is unlikely to be self-funding through its own operational cashflow at the end of the 24-month period following reinstatement.

As stated above having conducted the initial activities detailed above the Company's view is that it will require substantial capitalization to achieve critical mass in excess of the current capital position of the Company.

8. *Given that Investors who subscribed under the Prospectus did so on the basis of the proposed initiatives and use of funds set out in paragraphs B and D above and the Company does not appear to be following the course outlined in the Prospectus, has the board of the Company given any consideration to returning the substantial cash reserves the Company presently has to shareholders? If not, why not?*

The Company does not accept the proposition that it has not followed the course outlined in the Prospectus. This is demonstrated by our responses above.

The Prospectus clearly stated that the use of funds detailed were a statement of current intention. In addition, it stated that the allocation of funds as set out in the Prospectus may change depending on a number of factors (including outcomes of operational activities) and that actual expenditure may differ significantly from the estimates provided (due to factors including the development of new opportunities and the impact of risks detailed in the Prospectus).

As detailed above and in the submissions that have been made to the ASX regarding the proposed acquisition, the Company is of the view that shareholder value will be best created by applying a substantial portion of existing capital in pursuit of the new business. The Company notes that it will put the potential acquisition to shareholders for approval. If shareholders do not agree with the Company's view in regards to the transaction, then the Company will consider other alternatives.

9. *Please comment on the alternative propositions that:*

- (a) *the primary reason the Company acquired the AssembleBay business was to avoid being removed from the ASX official list as a long term suspended entity until it could find another and better acquisition to pursue and consequently the Company has not seriously pursued the development of the AssembleBay business; or*

The Company does not accept this proposition and believes that the responses to your queries above clearly demonstrate why the proposition is not correct.

***(b) the Company has realised since the Prospectus that the AssembleBay business does not have any realistic prospect of being profitable and the Company has chosen to minimise its ongoing expenditure on that business until it can find another and better acquisition to pursue.***

The decision to minimize ongoing expenditure on the business was not made because the Company formed the view since the Prospectus that the AssembleBay business does not have any realistic prospect of being profitable, nor was the decision to reduce expenditure made until it could find another and better acquisition to pursue as your alternative proposition in 9(b) proposes. Rather, the Company was engaged in the conduct of the AssembleBay business as set out in the Prospectus when the Company became aware of the potential acquisition of the SaaS business.

As part of the Company's process of reviewing the potential acquisition, the Company formed the view that the acquisition presented an opportunity to add significant shareholder value and a prudent manner in which to deploy a significant portion of its existing capital. This decision to pursue the opportunity was supported by the results of the marketing activities conducted to that time, which indicated that significant levels of expenditure would be required to reach critical mass. Accordingly, the Company reduced its expenditure on marketing activities for the AssembleBay platform pending agreement on, and being in a position to announce, the proposed acquisition. As detailed above, the Company initially expected that this would occur by the end of calendar year 2016, but there have been significant delays in finalizing the terms of the transaction.

***10. Please confirm that the Company is in compliance with the Listing Rules, and in particular, Listing Rule 3.1.***

The Company confirms it is in compliance with Listing Rule 3.1. The Company notes that its shares are currently subject to a Company-requested trading halt and subsequent voluntary suspension pending announcement of the proposed acquisition, for which the Company has already consulted with ASX and anticipates announcing in the near future.

***11. Please confirm that the Company's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of the Company with delegated authority from the board to respond to ASX on disclosure matters.***

Confirmed.

Yours faithfully  
**ASSEMBLEBAY LIMITED**



Simon Robertson  
Company Secretary





20 April 2017

Simon Robertson  
Company Secretary  
AssembleBay Limited

By Email: [simon@slrconsulting.com.au](mailto:simon@slrconsulting.com.au)

Dear Mr Robertson

**AssembleBay Limited ("Company")**

ASX Limited ("ASX") refers to the following:

- A. The Company's suspension from official quotation on 30 November 2012 pending re-compliance with chapters 1 and 2.
- B. The Company's prospectus for its re-compliance listing lodged on ASX's Market Announcement Platform ("MAP") on 14 December 2015 ("Prospectus"), which stated as follows:

*"The Company is proposing to acquire 100% of the issued capital of Assemble Holdings (Acquisition). Assemble Holdings owns the intellectual property associated with AssembleBay.*

*On completion of the Acquisition, the Company will seek reinstatement to quotation of the Company's Shares on ASX, and subsequently the Company's primary focus will be to further develop and commercialise AssembleBay in line with its business model and strategy."* [page 7]

*"The go-to market strategy is to focus on market assembly services, initially utilising a "freemium" business model until critical mass is achieved, being a pricing strategy by which a good or service is provided free but a premium is charged for proprietary features, functionality or virtual goods. The Company's view is that critical mass for AssembleBay is estimated to be in the region of 250,000 active users.*

*The AssembleBay website at [www.assemblebay.com.au](http://www.assemblebay.com.au) is currently live and operational, however there are currently no users. A marketing campaign and official launch is proposed in Australia in the first quarter 2016.*

*The revenue model will initiate once critical mass has been achieved. At this point the Company intends to introduce an online payment service (via PayPal) as a transaction engine to facilitate payments between Clients and Workers and charge a commission on both sides of the transaction. The expected commission will be 6% from Clients and 6% from Workers."* [page 12]

*Further business opportunities following successful commercialization of the AssembleBay Platform include:*

- *Charge Workers fees so that their profiles and quotes appear higher than other Workers.*
- *Monthly membership plans.*

- *Charge for Clients to allow them to promote their jobs above others.*
- *Cross market promotions – for example offering Workers equipment at reduced prices.*
- *Sales of business insurance to Workers.*

*AssembleBay will adopt a marketing campaign with a view to minimizing expenditure while attracting as many customers as possible. The core focus of the marketing effort will be to change consumer habits and reinforce AssembleBay's availability for any assembly requirements. Each activity will be tracked in order to understand and maximize return on investment.*

*Core marketing activities will include:*

- *Leaflet distribution – Targeting people in key CBD areas or on locations which are going to be trafficked heavily by people who will require assembly services. Delivery of leaflets into targeted letterboxes.*
- *Adwords – Google adwords campaign focussed on deliver of click-through at minimum cost on long-tail niche keywords.*
- *SEO – Ongoing SEO to ensure better ranking for the website.*
- *Social – Targeting of social media to spread the AssembleBay concept and service.*
- *Events – Upon reaching a critical mass launch annual competitions such as “Australia's Fastest Assembler”.*
- *Referral Competitions – The running of competitions to encourage existing Clients and Workers on the AssembleBay site to refer their friends and family (via email, social networking or other) to go in the running to win cash prizes.*
- *Partnerships – Partnerships with retailers requiring assembly service will also be looked at as part of the overall marketing push. As well as partnerships with real estate agents and property managers who will be able to include an AssembleBay leaflet to Clients.*
- *Targeting of niche – Efforts will also be made to target niche groups through advertising on newsletters and community bulletins. Groups may include, for example, expectant mothers who need new items assembled to be ready for the newborn.” [pages 36-37]*

*In terms of road-map for development, the AssembleBay team will remain agile and ready to respond to any market demand or development. Tasks that remain on the horizon for development include items such as:*

- *A mobile app – allowing clients and workers to interact via mobile.*
- *Integration of PayPal – introducing the billing and revenue model for AssembleBay.*
- *Building a calendar/work diary system for Workers – making Workers more engrained into the AssembleBay system.*
- *Automated verification systems – integration of automated verification technology to identify individuals joining the system. These systems will also look at being used to certify other trades as the marketplace expands without having the manual overhead experienced by current businesses.” [page 38]*

- C. The Company's announcement entitled "Extension of Delisting Deadline" dated 24 December 2015 and lodged on MAP on 29 December 2015, which stated that ASX had granted the Company an extension from the 1 January 2016 deadline for automatic removal of long-term suspended entities to 14 March 2016.
- D. Pages 25-26 of the Prospectus which stated that the Company intended to apply funds raised from the public offer, together with existing cash reserves, in the next two years following re-admission to the official list of the ASX as follows:

Use of Funds	Year 1 (\$)	Year 2 (\$)	TOTAL (\$)
AssembleBay marketing and sales initiatives associated with growth of Client and Worker network	319,000	1,777,000	1,496,000
Corporate overhead	215,000	190,000	405,000
Existing creditors	60,000	-	60,000
Costs of the offer	269,375	-	269,375
Interest on Converting Loan Agreements	6,000	-	6,000
Working Capital	391,525	825,543	1,217,068
<b>TOTAL</b>	<b>1,260,900</b>	<b>2,193,543</b>	<b>3,453,443</b>

- E. The reinstatement of the Company's securities to official quotation from the commencement of trading on Thursday 10 March 2016, following the Company's re-compliance with Listing Rule 11.1.3 and Chapters 1 and 2 of the ASX Listing Rules.
- F. The Company's announcement entitled "AssembleBay launches National Marketing Campaign" lodged on MAP on 8 April 2016 which disclosed that the Company launched its national marketing campaign via the use of 'human billboards'. It stated that these billboards were carried by engaging promotional staff, who would connect with shoppers and hand out flyers at a leading retailer of homeware products in Perth WA during April 2016. The announcement also stated that the Company would post strategically on popular community service websites to re-direct traffic and encourage users of the Company on both the assembler and client sides.
- G. The Company's announcement entitled "Quarterly Report & Appendix 4C" for the period ended 31 March 2016 lodged on MAP on 29 April 2016 which disclosed, among other things:
- Nil receipts from customers;
  - Cash at the end of the quarter of \$3,305,000;
  - Payments for compliance costs of \$160,000;
  - Other working capital costs of \$3,000; and
  - Nil staff costs

- H. The Company's announcement entitled "Marketing Activities Update" lodged on MAP on 31 May 2016 which stated, among other things:

*"Google Adwords have undergone further optimisation and are demonstrating improved results.*

*AssembleBay plans to launch a comprehensive social media presence during June and will appoint a digital media consultant to co-ordinate the campaign. ...*

*The website has successfully been moved to a dedicated server environment. This critical upgrade has increased speed; improved security; delivered a safer and better experience to users; as well as increased the capability of disaster recovery.*

*Further website changes to assist with SEO, user experience and conversion are currently being undertaken.*

*In other marketing initiatives the Company has appointed a digital marketing consultant to assist in rolling out a comprehensive national search engine optimisation (SEO) campaign targeting numerous key words for organic search engine ranking. These consultants will also assist the Company with its social media marketing and engagements.*

*In June the Company will also participate in the distribution of promotional material to approximately 500,000 WA households aiming to increase the awareness of the AssembleBay platform targeting both assemblers and clients for assembly services."*

- I. The Company's announcement entitled "Quarterly Report and Appendix 4C" for the period ended 30 June 2016 lodged on MAP on 29 July 2016 which stated, among other things:

*"Marketing activities undertaken during the quarter concentrated on digital marketing campaigns. ...*

*The Digital Adwords Campaign is proving successful in increasing traffic flow to the platform and has been expanded to Sydney, Melbourne, Adelaide and Brisbane.*

*A Facebook Ad Campaign has been launched in Sydney, Melbourne, Adelaide, Brisbane and Perth. Data from this campaign will be analysed later this year to determine its value as a marketing tool.*

*AssembleBay also plans to launch an innovative digital campaign in September focused on marketing itself directly to customers of retailers of equipment and furniture requiring assembly.*

*During the quarter, AssembleBay also conducted a Letterbox Deals campaign that saw flyers distributed to over 500,000 WA households."*

and which also disclosed:

- Nil receipts from customers;
- Cash at the end of the quarter of \$3,038,000;
- Payments for marketing and promotion of \$43,000;
- Payment for directors fees of \$34,000;
- Payments for compliance costs of \$21,000;
- Other working capital costs of \$111,000; and

- Nil staff costs.
- J. The Company's announcement entitled "Market Update" lodged on MAP on 19 October 2016 which disclosed the following:
- "After analysing the results of early marketing campaigns the Company has recently concentrated its efforts on marketing the platform through the use of optimized digital channels which it has determined to be the most cost effective techniques to reach a larger targeted market.*
- The campaigns have included Geo-targeted advertising directly to shoppers via mobile devices optimisation of Google Adwords, targeted advertising via other search engines, advertising on social media sites and Search Engine Optimizations. ...*
- While traffic to the AssembleBay Platform has been steadily increasing since its launch with in excess of 1750 parties (clients and workers) signing up with clients posting "jobs" to the marketplace resulting in quotes exceeding \$150,000 costs in achieving these results remains high when measured by cost per client or worker signup."*
- K. The Company's Annual Report for the year ended 30 June 2016 lodged on MAP on 26 October 2016 which disclosed nil revenue and repeated some of the statements quoted above from the Company's Quarterly Report and Appendix 4C for the period ended 30 June 2016.
- L. The Company's announcement entitled "Quarterly Report and Appendix 4C" for the period ended 30 September 2016 lodged on MAP on 26 October 2016 which disclosed:
- Nil receipts from customers;
  - Cash at the end of the quarter of \$2,837,000;
  - Payments for advertising and marketing of \$124,000;
  - Payments for directors fees of \$14,000; and
  - Payments for administration and corporate costs of \$64,000; and
  - No entry for staff costs.
- M. The Company's announcement entitled "Quarterly Report and Appendix 4C" for the period ended 31 December 2016 lodged on MAP on 31 January 2017 which disclosed:
- Nil receipts from customers;
  - Cash at the end of the quarter of \$2,796,000;
  - Payments for advertising and marketing of \$21,000;
  - Payment for directors fees of \$16,000;
  - Payments for administration and corporate costs of \$48,000; and
  - No entry for staff costs.
- N. The Company's announcement entitled "Half Yearly Report & Appendix 4D" for the period ended 31 December 2016 lodged on MAP on 13 February 2017 which disclosed among other things:

*“During the half year, AssembleBay continued its marketing campaigns to increase the usage of the Company’s platform and increase awareness.*

*The analyses of early marketing campaigns indicated that the Company concentrate its efforts on marketing the platform through the use of optimized digital channels which it has determined to be the most cost effective techniques to reach a larger targeted market. The campaigns included Geo-targeted advertising directly to shoppers via mobile devices, optimisation of Google Adwords, targeted advertising via other search engines, advertising on social media sites and Search Engine Optimisations.*

...

*During the half year, the Company has also noticed that competition has increased in the home services sectors in which the AssembleBay operates. Both new start-ups and large established companies have begun rolling out campaigns targeting the home services market. Other existing competitors have also publicly announced initiatives targeting increased presence in the sector. The Company believes that this additional competition has resulted in increased marketing costs to attract users to the platform and as a consequence on the number of client and worker signups and “job” posts.*

*The Company is continuing to access [sic] the marketing requirements and the increase in competition on its business model.”*

- O. The Company’s announcement entitled “Trading Halt” lodged on MAP on 10 April 2017 as the Company intends to make an announcement in relation to a material acquisition.
- P. The Company’s announcement entitled “Voluntary Suspension” lodged on MAP on 12 April 2017 as the Company intends to make an announcement in relation to a material acquisition.

#### **Listing Rule 12.1**

ASX Listing Rule 12.1 provides that the level of an entity’s operations must, in ASX’s opinion, be sufficient to warrant the continued quotation of the entity’s securities and its continued listing.

#### **Request for Information**

In light of the above, please provide the following information:

1. Please provide specific details of the activities the Company has undertaken in furtherance of the initiatives it said it was going to pursue in the Prospectus (as quoted in paragraph B above) and its progress in implementing those initiatives. If the Company has decided not to pursue any of those initiatives, please state that fact and explain why that it has done so.
2. Please provide details of the number of staff (employees or consultants) who are engaged in the AssembleBay business. What are their roles and are they full-time, part-time or casual?
3. Please comment specifically on the low levels of advertising and marketing expenditure and the nil staff costs disclosed in the Company’s quarterly cash flow reports and how the Company reconciles this with the initiatives it said it was going to pursue in the Prospectus (as quoted in paragraph B above).
4. Please provide details of the numbers of Clients and Workers that have signed up to use the AssembleBay platform and the dollar value of quotes in the marketplace since the “Market Update” lodged by the Company with ASX on 19 October 2016.

5. Please provide a breakdown of the amounts the Company has budgeted to spend on the AssembleBay business in its budget for the year ended 31 December 2017.
6. Please comment on the difference between the amounts the Company has spent to date and the amount it budgets to spend over the remainder of 2017, compared to the proposed use of funds disclosed in the Prospectus (as set out in paragraph D above).
7. How does the Company currently assess the prospects of the AssembleBay business? Does the Company see any realistic prospect of that business being profitable in the near to medium term?
8. Given that Investors who subscribed under the Prospectus did so on the basis of the proposed initiatives and use of funds set out in paragraphs B and D above and the Company does not appear to be following the course outlined in the Prospectus, has the board of the Company given any consideration to returning the substantial cash reserves the Company presently has to shareholders? If not, why not?
9. Please comment on the alternative propositions that:
  - (a) the primary reason the Company acquired the AssembleBay business was to avoid being removed from the ASX official list as a long term suspended entity until it could find another and better acquisition to pursue and consequently the Company has not seriously pursued the development of the AssembleBay business; or
  - (b) the Company has realised since the Prospectus that the AssembleBay business does not have any realistic prospect of being profitable and the Company has chosen to minimise its ongoing expenditure on that business until it can find another and better acquisition to pursue.
10. Please confirm that the Company is in compliance with the Listing Rules, and in particular, Listing Rule 3.1.
11. Please confirm that the Company's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of the Company with delegated authority from the board to respond to ASX on disclosure matters.

In providing this information, ASX would remind you that an officer or employee of a listed entity who gives, or authorises or permits the giving of, materially false or misleading information to ASX:

- knowingly, breaches section 1309(1) of the Corporations Act, which is a criminal offence punishable by a fine of up to 200 penalty units and/or imprisonment for up to 5 years; or
- without taking reasonable steps to ensure that the information was not false or misleading, breaches section 1309(2) of the Corporations Act, which is a criminal offence punishable by a fine of up to 100 penalty units and/or imprisonment for up to 2 years.

#### **When and where to send your response**

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than **5.00 a.m. AWST on Friday, 21 April 2017**.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, the Company's

obligation is to disclose the information “immediately”. This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at [wade.baggott@asx.com.au](mailto:wade.baggott@asx.com.au). It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

### **Listing Rule 3.1**

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity’s securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

In responding to this letter, you should have regard to the Company’s obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that the Company’s obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely,

*[sent electronically without signature]*

Wade Baggott  
**Principal Adviser, Listings Compliance (Perth)**