



(ASX: THD)

ASX MARKET RELEASE

31st July 2017

Thred Limited – Update & 4C Review (Q4 FY 17)

- **Platform Enhancement Update; New Platform Acquisition & Retention Features**
- **Technology Development Transition to new Sydney Office by the end of August**
- **Summary of 4C and Cash Flow**

Platform Enhancements Update; New Platform Acquisition & Retention Features

Further to the Company's most recent announcement regarding its Product and Platform development, Thred wishes to inform the market of the following acknowledgements and actions:

- A new and highly talented product team continues to identify and deploy User enhancements to Thred's core messaging platform. These feature improvements will be provided to Users via app updates over the coming weeks, allowing Thred to gauge feedback and iterate future requirements.
- The new product team is very engaged, driven by the desire to reimagine the way people communicate and interact using future-facing technologies. Importantly, the new innovations being developed could be delivered to market as additional products that Thred will launch in the coming months.
- Following a detailed review, the Company believes ongoing enhancements, while essential to improve Thred's features, will not sufficiently differentiate Thred's app in the long-term in the increasingly crowded messaging app market.
- Thred has therefore identified significant opportunities to position itself as a technology-first organisation that can deliver innovative, multiple and viable products under the parent umbrella. These new product opportunities are underpinned by a drive to rapidly monetize as well as facilitate more robust revenue streams.
- The focal point of Thred's new product innovation team and strategy is driven by several factors:
 1. Chat or messaging that improves how consumers and businesses communicate;
 2. Monetisation opportunities which are more viable, with alignment to proven problems facing traditional advertising such as ad blockers and a lack of personalisation;
 3. More robust and tested unique value propositions (UVP) than the current Thred offering; and
 4. The opportunity to leverage future-facing technologies to solve Users problems.

Thred is undertaking a very rigorous validation process consisting of:

- Broad and encompassing user surveys
- Usability testing
- Feedback analysis from both conceptual mock ups as well as prototype apps
- Real world beta testing

Once validation is complete, the Company will announce its new product opportunity via the ASX.

Technology Development Transition

Following Thred's previous guidance on its Technology transition from Lateral to in-house, Thred now reports that this will occur sooner than previously indicated. Thred will now complete its transition from

Lateral by the end of August, establishing the required complement of skills and technical assets in its new Sydney office. The transition to a full in-house tech team is vital to Thred's continued growth and delivery of new product.

Overview of 4C and Cash Flow

The statement of cash flows appended represents the first full year of Thred's operations as an ASX-listed software company, and also the last in which Thred will need to report any legacy cash outflows incurred in its previous existences as a public copper explorer or a private development start-up.

Shareholders will note that over 70% of cash spent in the 12-month period is allocated to research and development. Much of the reported \$4m R&D expenditure for the year is expected to be eligible to attract a 45% refundable tax offset from the ATO. This is a planned and material cash inflow, and the Company is working closely with its advisors (EY) on its application and refund.

Net average operating cash flow is set to decrease by circa 40% over the coming months as Thred completes its development transition from Lateral Pty Ltd and implements other cost reduction reforms.

Due to the requirement to overlap resources to ensure skills cover and transfer of knowledge, expenses related to Technology development are slated to increase slightly in July and August. Thereafter, spend on Technology Development is forecast to reduce by circa 60% per month in Q2 FY18 and beyond.

Thred's forward cash flow schedules contains considered investment in 14 new permanent employees, careful and well-timed investment in marketing, and outlay on new and capable Product development resources who can ideate and deliver insightful and new intellectual property that will underpin Thred's growth.

Summary

We remain convinced that the messaging/chat sector has enormous opportunities for innovative participants. However, to remain competitive, Thred must constantly work to identify and leverage new technologies to solve proven User problems and differentiate itself.

All successful consumer apps follow a tried & tested path; **Acquire** Users, **Activate** Users, **Retain** Users, then drive **Revenue** from Users. The 4th step is not possible without the first 3 being differentiated. The new executive team is rapidly facilitating a strong internal culture of leading-edge innovation.

The new product team have rapidly developed novel User Acquisition, Activation and Retention features that the Company believes will allow Thred to significantly differentiate itself from other messaging apps and quickly reach its commercial goals.

The application of the best approach for product development and leveraging future-facing technologies is now firmly entrenched in the Company's culture and practices. Recent work has surfaced new and exciting opportunities that may be delivered as feature iterations on the existing platform or as additional or new Product.

The Company sincerely thanks shareholders for their support and understanding. Thred plans to continue updating the market and apprising shareholders of adjustments to the Company's strategy as the new Product innovations deliver.

About Thred: Thred Limited (ASX: THD) has developed a globally relevant software platform that aims to provide unified social messaging, along with content creation and sharing, in one simple and intuitive consumer App. Thred intends to uniquely deliver the ability for consumers to unite their messaging, mail, connections, SMS and more, into one simple **'thred'** where they can connect, talk, transact, play, attach, watch, buy and listen with awesome simplicity and relevance. Thred plans to aggregate incumbent social, mail, content, media and 3rd party transactional platforms, empowering a universal, unified and amazingly simple place to connect with anyone, anywhere, anytime, regardless of what platform they're on. Thred aims to facilitate cross platform communications with ease and steps this up a gear by putting all device and media tools in one unique and powerful **'thred'**. Thred has launched an 'in market' testing phase through iTunes & Play Store. Following a period of User feedback and honing platform operations, Thred will gradually release a program of improvements and enhancements to increase its usefulness.

FORWARD LOOKING STATEMENTS

The material in this document has been prepared by Thred and is general background information about Thred's activities. The material may contain forward looking statements including statements regarding Thred's current situation, intent or current expectations with respect to Thred's business.

While Thred has taken all reasonable care in compiling and producing the material, the material has not been verified; is given in summary form and any forecasts and hypothetical examples may be subject to uncertainty and contingencies outside Thred's control.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

THRED LIMITED (ASX:THD)

ABN

36 124 541 466

Quarter ended (Current quarter)

30 June 2017

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	-	-
1.2 Payments for:	-	-
(a) research and development	(577)	(4,001)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(80)	(142)
(d) leased assets	-	-
(e) staff costs	-	-
(f) administration and corporate costs (incl. payments of GST)	(685)	(1,334)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	5	14
1.6 Income taxes (paid) / refunded	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material): Former activities (exploration)	9	(223)
1.9 Net cash from / (used in) operating activities	(1,328)	(5,686)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(4)	(9)
(b) businesses (see item 10)*	19	(256)
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	42
(d) intellectual property	-	-
(e) other non-current assets	-	465
2.3 Cash flows from loans to other entities	-	(8)
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material): Advances to director	-	(33)
2.6 Net cash from / (used in) investing activities	15	201

* Amounts relate to the prior year reverse acquisition of Thred Limited (formerly Promesa) by Thredit Limited. These outflows in the current quarter do not pertain to acquisitions in this period.

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 Months) \$A'000
3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	3,769	6,911
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(103)	(227)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	(15)
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	3,666	6,669
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	2,124	3,311
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,328)	(5,686)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	15	201
4.4 Net cash from / (used in) financing activities (item 3.10 above)	3,666	6,669
4.5 Effect of movement in exchange rates on cash held	-	(18)
4.6 Cash and cash equivalents at end of quarter	4,477	4,477
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	287	230
5.2 Call deposits	4,190	1,894
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)	4,477	2,124
6. Payments to directors of the entity and their associates		Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2		169
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3 and 2.5		-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	In respect to 6.1: Salaries and consulting fees paid to directors and their related parties. Amounts include reimbursements to directors.	
7. Payments to related entities of the entity and their associates		Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2		-
7.2 Aggregate amount of cash flow from loans to these parties included in items 2.3		-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	Nil	

8. Financing facilities available Add notes as necessary for an understanding of the position	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Nil

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(899)
9.2 Product manufacturing and operating costs	(22)
9.3 Advertising and marketing	(329)
9.4 Leased assets	-
9.5 Staff costs	-
9.6 Administration and corporate costs	(707)
9.7 Other (provide details if material):	-
9.8 Total estimated cash outflows	(1,957)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets / (deficiency)	-	-
10.5 Nature of business	-	-

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.

Signed: DAMON SWEENEY

Dated: Tuesday, 25 July 2017

Company Secretary

Print name: DAMON SWEENEY

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.