

Events Leading to Re-Compliance and Business Readiness Program

The Board of Activistic Limited (ASX: ACU) (“Activistic” or the “Company”), wishes to provide shareholders with the following information regarding the key events leading to re-compliance. This announcement is provided to update shareholders on the considerable progress made by the Company since completing the acquisition of Plus Connect Limited (“Plus Connect”) and to put in context the re-compliance steps that will be advised to the market over the coming months.

In September 2016, Activistic signed a binding Bid Implementation Agreement for the acquisition of Plus Connect. The acquisition was pursued by the Board of Activistic for the following reasons:

- 1) Both companies were operating in the charity and not-for-profit sectors giving rise to significant market, stakeholder and technology synergy opportunities;
- 2) Plus Connect products presented an ability to reach positive cash flow in the short term offsetting the much longer revenue conversion timeline of the micro-donations products; and
- 3) Micro-donations and not-for-profit lotteries were complementary products enabling Activistic to take a much stronger value proposition to the market.

Prior to completing the acquisition, the Board undertook a strategic review of both businesses to support the efficient and timely integration of activities. The strategic review was completed in January 2017 and the acquisition of Plus Connect was completed at the end of that month.

A series of strategic and structural decisions were taken following the review, including an agreement with MyLotto24, giving Plus Connect’s customers exposure to some of the world’s largest and most popular lotteries.

As previously advised to the market on the 17 May 2017, the ASX considered that the MyLotto24 Agreement will result in a significant change in nature of the Company’s activities, a change that requires approval from the Company’s shareholders and the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

Micro-donations activities

The strategic review of the micro-donations business concluded that the time-frames required to achieve revenue targets, and the costs associated with reaching those targets, were incompatible with moving to profitability in the short to medium term.

Between December 2016 and March 2017, the company cut most costs associated with the micro-donations products with the effect of reducing average monthly spend by approximately \$300,000.

Activistic invested substantial funds to develop the US and UK micro-donations markets through 2015 and 2016. The Company was very successful in securing quality and potentially high-value partners primarily in the US however that has not translated into significant donor registrations or recurring revenues. The Board was cognisant of protecting these valuable assets.

Activistic has approached a number of US based companies, operating in a similar market space, to seek a strategic alliance that would enable the Company to protect its position in the US market.

The key considerations are to partner with an established national company with a quality technology platform providing services to the not-for-profit sector while expanding our market reach and meet all services costs.

Activistic is currently in negotiations with a US company that met our requirements and is in the final stages of negotiating the transition of the business across to the new structure.

This represents an outstanding opportunity for Activistic, allowing the Company to benefit from its assets and relationships developed in the US market, without incurring the costs of having a physical presence overseas.

Company Structure

Changing the delivery strategy for the micro-donations business unit has enabled Activistic to re-align its resources towards generating profits in the short term through the Plus Connect products. This is represented by:

- 1) Closing the UK and US offices;
- 2) Moving all non-corporate functions to a unified operating environment in Melbourne;
- 3) Consolidating under a single CEO based with the team in Melbourne; and
- 4) Eliminating advisory Board.

As a result of the above actions, the Company has reduced its monthly burn to \$200,000 - \$240,000 with the spend aligned totally to revenue generation.

Online Lotto-betting Products

The Plus Connect's business model involves the provision of Lotto-betting Products and user engagement tools under three distinct segments:

- ✓ Sports and recreation sector
- ✓ Charity and not-for-profit sector
- ✓ Lotto betting

All Products are offered under Plus Connect's Northern Territory Licences and insured by Lloyd's of London's Australian brokers.

Sports and recreation sector

Activistic announced the establishment of Sports Lottery Australia Pty Ltd in October 2016, a Joint Venture with Collingwood Football Club. The first Sports Lottery Product, Magpie Millions, was launched in February 2017.

Following the successful bedding down of that product, substantial development was undertaken preparing the next round of clubs representing expansion through other AFL clubs and other sporting codes. This accords with the strategy advised to the market at the time of establishing Sports Lottery.

The Company looks forward to announcing further deals with new clubs and codes in the coming weeks.

Charity and not-for-profit sector

Activistic has reviewed the performance of the charity products offered by Plus Connect and re-evaluated the Australian charity fundraising market, culminating in a series of product and delivery changes. Charity lotto-betting was recently migrated to a more powerful technology platform. The product was re-designed, making it more appealing to its target audience and ensuring the charity partners featured continue to show their support. Negotiations were entered into to expand the product offerings to broaden market appeal and distribution channel opportunities.

The market will be advised once these negotiations conclude and agreements are formalised.

Lotto Betting

Lotto betting, is a form of gaming in which a participant places a bet on the outcome of a lottery, rather than entering the lottery itself. It is a growing business model which is proving successful in Europe and has shown to be well accepted by Australian consumers.

Plus Connect signed a product deal with MyLotto24. This agreement enables Plus Connect to offer bets on some of the world's largest and most popular lotteries. The key terms of this agreement were announced to the ASX on 17 May 2017.

As previously advised to the market, the ASX considers that the MyLotto24 Agreement will result in a significant change in the nature of the Company's activities, a change that requires approval from the Company's shareholders and the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

The Company has been unable to develop this segment before receiving shareholder approval and re-complying with Chapter 1 and 2 of the ASX Listing Rules. An update on suspension and re-compliance timetable was announced to the market on 28 July 2017.

Other opportunities and acquisitions

In addition to the above described segments and subject to any shareholder approval that may be required, the Company intends to explore strategic partnerships and joint ventures to deliver other products available under its betting licence in Australia and overseas.

As part of the overall business strategy, the Company will explore potential acquisitions or make significant investments in, complementary companies and products. The Company will also consider additional gaming licences in Australia and overseas to expand the range of offerings.

Support for charities and sporting bodies will remain a key feature of the Company's business model as a responsible corporate citizen operating with high standards of ethical behaviour. In addition, the Company will also rely on commercial lottery products and user engagement tools in order to drive revenue growth.

The way forward

- ✓ Re-comply with Chapter 1 and 2 of the ASX Listing Rules and re-position the business;
- ✓ Raise capital to enable the launch of an integrated marketing campaign;
- ✓ Complete the development and delivery of the third operating segment - commercially competitive lotto betting products.

A comprehensive announcement describing the key changes and business model is expected to be released in the coming days.

– ENDS –

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APPENDIX A

Events leading to re-compliance:

The Board of Directors wish to disclose the following timetable and supporting notes. The purpose of such disclosure is to inform shareholders of the Company's key activities and steps taken to complete the strategic review which led to the re-positioning of the business.



1. Analysis of micro donations business

Considering the performance of the Company and expected short term results, the Board of Activistic became aware that the micro-donations business on its own was unlikely to generate sufficient profits in the near future to sustain the business and generate the returns and share price expected by shareholders. The margins on donations were low with further downward pressure, and overheads were high, mainly due to the physical presence in the US and UK.

2. Complementary business

The Company initiated a search process, with the objective of identifying complementary alternatives to the micro-donations activities. Plus Connect was identified as an ideal complementary product suite offering proven, highly profitable charity-linked products, that interacted nicely in ACU's markets.

3. Establishment of Sports Lottery Australia

In an exclusive partnership with Collingwood Football Club, Plus Connect formed a joint venture entity, Sports Lottery Australia, to develop and commercialise a range of online sports lottery-style products.

4. Major strategic review

The Directors of the Company embarked on a major strategic review to identify the best way to optimise and integrate all operations and achieve profitability whilst limiting expenditure on activities that did not offer short to medium term returns.

5. Acquisition of Plus Connect

Activistic completed the acquisition of Plus Connect in January 2017 and embarked on the implementation of the actions arising from the strategic review. The acquisition was highly supported by Plus Connect's shareholders.

6. US based strategic partner

The Company identified a strategic partner to take on the distribution and marketing of the Activistic micro donations products. The parties are investigating how to collaborate. This opportunity will allow Activistic to benefit from its assets and relationships developed in the US market, without incurring the costs of having a physical presence overseas.

7. Cost reductions and new direction

The strategic review and identification of a potential business partner in the US market enabled a rationalisation of the Company's resources and re-focus on profit generating activities. As a result, monthly operating costs reduced from approximately \$550,000 to between \$200,000 and \$240,000 depending on user acquisition activities.

8. Further cost reductions and consolidation of operations

Further reductions will be achieved through the consolidation of all staff to a single office during the re-compliance period.

9. Launch of Magpie Millions

Sports Lottery Australia launched its first sports lottery product, Magpie Millions, in February 2017. This product continues to perform well, confirming its high acceptance. Sports Lottery Australia is working on expanding this product into other sporting codes in Australia and potentially overseas.

10. Restructuring of Charity Lottery segment

Following a comprehensive analysis of its charity lottery product, the Weather Lottery, the Company decided to migrate to a more powerful platform, the same used for Magpie Millions. In conjunction to the migration process, the Company also re-designed the product, making it more appealing to its target audience. The charity partners featured on the Weather Lottery have continued to show their support, and have encouraged these changes

11. Agreement with Zeal Networks

Plus Connect negotiated and signed a contract with Zeal Networks, giving Plus Connect access to commercial lotto betting products for the Australian and Asian markets. This contract requires the Company to re-comply with Chapter 1 and 2 of the ASX Listing Rules.

12. Market entry strategy for international markets

Plus Connect developed and validated a market entry strategy for international markets and identified a key consultant. Further announcements regarding the international expansion will be released to the ASX in due course.

13. Experienced team

Following an extensive recruitment process, the Company identified and recruited key, senior marketing resources from leading European operators in this sector. The Company now relies on a proven team capable of delivering results as planned and expected by shareholders.