ACTIVISTIC LIMITED

ABN 007 701 715

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED

30 JUNE 2017

Index

Corporate Information

Directors

Peter Wall	Non-Executive Chairman
Paul Crossin	Executive Director
Michael Hughes	Non-Executive Director

Company Secretary
Ramon Soares

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South Perth, WA 6151
Telephone: +61 8 6244 0333
Website: www.activisticgroup.com

Solicitors
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Level 4, The Read Buildings
16 Milligan St
Perth, WA 6000

Share Registry
Automic Pty Ltd
Level 2, 267 St Georges Terrace
Perth, WA 6000
Telephone: 08 9324 2099

Auditors
HLB Mann Judd
Level 4, 130 Stirling Street
Perth, WA 6000

Stock Exchange Listing
Activistic Limited shares are listed on the Australian Securities Exchange
ASX Code: ACU

Directors' Report

Your Directors present their report together with the financial statements of the Group consisting of Activistic Limited ("the Company", or "Activistic") and the entities it controlled for the financial year ended 30 June 2017. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

The names of Directors who held office during or since the end of the year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Mr. Peter Wall – B. Com, LLB, M. App. Fin
Non-Executive Chairman
Mr. Wall is a partner at Steinepreis Paganin, specialising in mergers and acquisitions, corporate reconstruction and recapitalisations of listed entities. Mr. Wall has advised on numerous successful IPOs and back door ASX listings.

Mr. Wall graduated from the University of Western Australia in 1998 with a Bachelor of Laws and Bachelor of Commerce (Finance). He has also completed a Masters of Applied Finance and Investment with FINSIA.

Mr. Wall is the Chairman of MMJ Phytotech Ltd, as well as Non-Executive Chairman of Minbos Resources Ltd, Bronson Group Ltd, MyFiziq Limited, Sky and Space Global, Pursuit Minerals and Transcendence Technologies Limited.

Mr. Wall is a Non-Executive Director of Ookami Limited and Zyber Holdings Ltd.

In the 3 years immediately before the end of the financial year, Mr. Wall also held directorships in the following listed entities:

Zinc of Ireland (Formerly Globe Metals Exploration NL)	Ceased 22 July 2016
TV2U International Limited (Formerly Galicia Energy)	Ceased 9 February 2016
Brainchip Holdings Limited (Formerly Aziana Limited)	Ceased 3 August 2015

Mr. Paul Crossin – B.Ec
Executive Director
Mr. Crossin is a business economist specialising in strategy development and implementation. Mr. Crossin has been involved in the gambling and lotteries industry for over 20 years, and has applied his gaming knowledge as a specialist consultant assisting companies establish gambling business units, including The Federal Group, TAB Limited and Manaccom Corporation.

In the 3 years immediately before the end of the financial year, Mr. Crossin has not held directorships of any other listed entities.

Mr. Michael Hughes – B.A., M. App. Fin
Non-Executive Director
Mr. Hughes has been a Commercial Director at SeaLink Travel Group Limited since September 2014 and is responsible for identifying and securing new business and acquisition opportunities. Mr. Hughes served as Head of Corporate Finance at Ord Minnett from 2010 to May 2014.

Prior to joining Ord Minnett, Mr. Hughes was a Senior Portfolio Manager at a number of AMP funds from 2006 to 2010, an analyst at 452 Capital from 2002 to 2006, and held a number of senior financial roles at Westpac Banking Corporation from 1999 to 2002. He was also company secretary of OzEmail Limited, an internet service provider which was listed on the ASX and Nasdaq.

Directors' Report (continued)

Mr. Hughes is a highly regarded corporate advisor, with significant experience in both equity capital and debt markets.

In the 3 years immediately before the end of the financial year, Mr. Hughes has not held directorships of any other listed entities.

Mr Nigel Lee – M. Eng, MBA, P.G. Dip Marketing
Non-Executive Director – Resigned 31 March 2017
Based in Singapore, Mr. Lee began working with American Express in January 2012. He was responsible for strategy, management and growth of new and emerging payment activities for Asia, (including China, India and Japan), plus Latin America. This comprised the development, expansion and operation of payment methods such as pre-paid cards, travel card products, mobile payments, online e-Gift and virtual cards across both consumer and business-to-business channels.

In addition to American Express, Mr. Lee has also had significant experience in mobile payment, credit card and e-commerce experience with companies including MoneyGram, First Data Resources Asia-Pacific Limited and Electronic Data Systems Corp.

Mr. Lee has also served on the Board of YuuZoo Corporation, an e-commerce and social network business with more than 30 million registered users and franchise partnerships in 40 countries. YuuZoo Corporation became a publicly listed company on the Singapore Securities Exchange in September 2014.

In the 3 years immediately before the end of the financial year, Mr. Lee did not hold directorships of any other listed entities.

Mr. Evan Cross – B. Bus, CA, FAICD
Non-Executive Director and Joint Company Secretary – resigned 30 April 2017
Mr. Cross has been a member of Chartered Accountants Australia and New Zealand for over 30 years, and is a Fellow of the Australian Institute of Company Directors. Mr. Cross has extensive corporate finance experience in investment banking both in Australia and the US and has held key finance or executive director roles in a number of private and ASX-listed companies in a wide range of industries including technology, healthcare, mining and the food and beverage industries.

Mr. Cross is a Non-Executive Director of Dreamscape Networks Ltd and OpenDNA Ltd.

In the 3 years immediately before the end of the financial year, Mr. Cross also held directorships in the following listed entities:

MyFiziq Limited	Ceased 4 October 2016
Sun Biomedical Limited	Ceased 3 July 2015

Mr. Ramon Soares – B.Com, CPA
Company Secretary

Mr. Soares graduated from Curtin University in 2011 with a Bachelor of Commerce majoring in accounting and finance.

Mr. Soares has held senior finance positions with a number of international ASX listed entities including mining and technology companies.

Directors' Report (continued)

Interests in the shares, options, performance rights and performance shares of the Company and related bodies corporate

The following relevant interests in shares and options of the Company or a related body corporate were held by the Directors as at the date of this report.

Directors	Fully Paid Ordinary Shares	Share Options	Performance Rights	Performance Shares
Peter Wall	1,523,004	1,750,000	-	-
Paul Crossin	56,892,193	-	-	-
Michael Hughes	850,000	750,000	-	-

Shares under option or issued on exercise of options
At the date of this report unissued ordinary shares or interests of the Company under option are:

Date options granted	Series	Number of shares under option	Exercise price of option	Expiry Date of option
04/05/2015	ESC001	10,000,000	$ 0.1100	31/12/2017
30/04/2015	ESC002	5,000,000	$ 0.1100	31/12/2017
04/05/2015	ESC003	26,000,000	$ 0.1100	31/12/2017
20/05/0215	ESC004	90,494	$ 0.1100	31/12/2017
04/12/2015	ACU002	1,750,000	$ 0.2100	31/12/2019
07/06/2016	ACU005	750,000	$ 0.1100	01/06/2019

No ordinary shares were issued by the Company during or since the end of the financial year as a result of the exercise of options.

Share options granted to Directors
During and since the end of the financial year, no share options were granted to directors of the Company or entities they controlled as part of their remuneration.

Principal Activities
The principal activity of the Activistic group during the year has been the further development and implementation of its micro-donation technology that enables regular payments or contributions utilising a mobile phone network, as well as the expansion of user and beneficiary charities base. Following the acquisition of Plus Connect, the Company also engaged in the development and commercialisation of sports and charity lottery products.

Review of Operations
The Company is pleased to report the follow results for the financial year ended 30 June 2017:

Highlights for the financial year:

- Analysis of micro-donations business complete, including the identification of a strategic partner to take on the distribution and marketing of the micro-donations products;
- Successful acquisition of Plus Connect Limited following comprehensive search process with the objective of identifying a complementary business;
- Establishment of Sports Lottery Australia in an exclusive partnership with Collingwood Football Club;
- Launch of Magpie Millions, the first of its kind sports lottery product in Australia. The product has been well accepted and continues to generate regular revenue flows;
- Restructuring of charity lottery segment with new products close to completion;

Directors' Report (continued)

- Agreement with Zeal Networks which provides Plus Connect access to lotto betting products for the Australian and Asian markets;
- Advanced discussions with a number of sports clubs and new products close to completion;
- Cost reduction program implemented by the Board.

Acquisition of Plus Connect Limited

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 control of Plus Connect was achieved 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 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.

Directors' Report (continued)

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 Betting Products

The Plus Connect's business model involves the provision of -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 Licence 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. Our Charity product 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.

Lotto Betting

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.

Directors' Report (continued)

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.

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.

Operating results and financial position

A net loss was recorded for the year ended 30 June 2017 of $8,594,346 (30 June 2016: $6,751,345). The Company received a Research & Development grant of $287,856 during the year (30 June 2016: $101,280).

The net loss includes an impairment expense of $3,200,882 in respect of goodwill arising from the acquisition of Plus Connect Limited.

Despite the fact that Activistic completed the acquisition of Plus Connect and its subsidiaries on 20 January 2017, operating expenses were in line with the prior year. The Board implemented a significant cost reduction programme which allowed the company to eliminate or reduce costs associated with the micro-donations business whilst developing the online lotteries division.

Total expenditure net of impairment, share based payments and foreign exchange losses can be attributed to the following operating segments:

Online Lotteries	Micro-donations	Unallocated	Total
$ 1,189,178	$ 3,230,495	$ 1,173,184	$ 5,592,857

Following a strategic review completed by the Board, costs associated with the micro-donations activities have been kept to a minimum. The new reduced monthly spend is directly aligned to revenue generation.

During the year, the Group raised $3,560,000 (before costs) through the issue of 178,000,000 ordinary shares at $0.02 per share, to new and existing institutional investors. The placement shares were issued with approval of the Company's shareholders. Furthermore, the Company negotiated a $2 million convertible note facility to finance its working capital requirements. The facility was chosen over a potentially dilutive equity issue to allow the Company to generate value accretive results and revenues over the medium term to enhance shareholder value.

Significant changes in the state of affairs

Significant changes in the state of affairs of the Group during the financial year were as follows:

In March 2017 Activistic completed the acquisition of Plus Connect Limited and its subsidiaries. Plus Connect was identified by the Board of Directors as a complementary product suite to the micro-donations activities, offering proven, highly profitable charity-linked products.

In May 2017 Activistic announced that Plus Connect Limited, its wholly owned subsidiary, had entered into an agreement with MyLotto24 Ltd, allowing the Company to provide bets on some of the world's most popular lotteries.

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

Directors' Report (continued)

Significant events after balance date

The following event has arisen in the interval between the end of the reporting period and the date of this report:

The Company has raised $700,000 through convertible notes to finance its working capital requirements and to assist with re-compliance. Conversion is subject to shareholder approval. This amount comprises a $500,000 drawdown from the facility that existed at balance date, together with a new $200,000 facility that was entered into in September 2017.

Likely developments and expected results

The likely developments and expected results are set out in the Review of Operations section of this report.

Environmental legislation

The Group is not subject to any significant environmental legislation.

Dividends

No dividends have been paid or declared since the start of the financial year and the Directors do not recommend the payment of a dividend in respect of the financial year.

Indemnification and insurance of Directors and Officers

The Company has agreed to indemnify all the Directors of the Company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as Directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

During the financial year the Company paid a premium in respect of a contract insuring the Directors and officers of the Company and its controlled entities against any liability incurred in the course of their duties to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Remuneration report (Audited)

This report, which forms part of the Directors' report, outlines the remuneration arrangements in place for the key management personnel ("KMP") of Activistic Limited for the financial year ended 30 June 2017. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for KMP who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Group.

Key Management Personnel

The Directors and other key management personnel of the Group during or since the end of the financial year were:

Directors	
Peter Wall:	Non-Executive Chairman
Paul Crossin:	Executive Director – appointed 20 January 2017
Michael Hughes:	Non-Executive Director
Nigel Lee:	Non-Executive Director – resigned 31 March 2017
Evan Cross:	Non-Executive Director – resigned 30 April 2017

Directors' Report (continued)

Executives	
Nigel Lee:	Chairman of Strategic Advisory Board, Activistic Holdings Pty Ltd [1] – resigned 31 March 2017
Evan Cross:	Director – Finance, Activistic Holdings Pty Ltd [1] - resigned 30 April 2017

1. Activistic Holdings is a subsidiary company of the Group.

Except as noted, the named persons held their current positions for the whole of the financial year and since the end of the financial year.

Remuneration philosophy
The performance of the Company depends upon the quality of the Directors and executives. The philosophy of the Company in determining remuneration levels is to:

- set competitive remuneration packages to attract and retain high calibre employees;
- link executive rewards to shareholder value creation; and
- establish appropriate, demanding performance hurdles for variable executive remuneration.

Remuneration Committee
The Company does not have a separate remuneration committee and as such all remuneration matters are considered by the Board as a whole, with no member deliberating or considering such matter in respect of their own remuneration.

In the absence of a separate Remuneration Committee, the Board is responsible for:

1. Setting remuneration packages for Executive Directors, Non-Executive Directors and other Key Management Personnel, and
2. Implementing employee incentive and equity based plans and making awards pursuant to those plans.

Remuneration structure
In accordance with best practice corporate governance, the structure of non-executive Director and executive remuneration is separate and distinct.

Use of remuneration consultants
The Company has not engaged any remuneration consultants and the Board is satisfied that the recommendations were made free from undue influence from any members of key management personnel.

Non-Executive Director remuneration
The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. The latest determination was at the Annual General Meeting held on 30 November 2015 when shareholders approved an aggregate remuneration of $300,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers advice from external shareholders as well as the fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process.

Directors' Report (continued)

Due to tight financial constraints, every effort has been made to reduce all fees, including director compensation.

Senior manager and executive Director remuneration
Remuneration consists of fixed remuneration and variable remuneration (comprising short-term and long-term incentive schemes).

Incentive Plans
The Company provides long term incentives to Directors and Employees pursuant to the Activistic Limited Performance Rights Plan and Employee Option Scheme, which were approved by shareholders on 30 November 2015.

The Board, acting on remuneration matters, will:

1. Ensure that incentive plans are designed around appropriate and realistic performance targets and provide rewards when those targets are achieved;
2. Review and improve existing incentive plans established for employees; and
3. Approve the administration of the incentive plans, including receiving recommendations for, and the consideration and approval of grants pursuant to such incentive plans.

Fixed Remuneration
Fixed remuneration is reviewed annually by the Board. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Board has access to external, independent advice where necessary.

Variable Remuneration
The objective of the short-term incentive program is to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential short-term incentive available is set at a level so as to provide sufficient incentive to the senior manager to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances. The Board has not yet established these operational targets.

Employment contracts

Mr. Paul Crossin
Mr. Crossin receives annual compensation of $180,000 plus GST as applicable for his Executive Director role in Activistic Limited. Mr. Crossin is entitled to 20 days annual leave. Either party may terminate the agreement with 3 months' notice.

Remuneration of Key Management Personnel

Year ended 30 June 2017	Salary & fees $	Super-annuation $	Share based payments $	Total $	Fixed based remuneration %	Performance based remuneration %
Directors						
P. Wall	60,000	-	-	60,000	100%	0%
P. Crossin	79,839	-	-	79,839	100%	0%
M. Hughes	40,000	3,800	13,128	56,928	77%	23%
Total Directors	**179,839**	**3,800**	**13,128**	**196,767**	**93%**	**7%**
Executives						
E. Cross	100,000	-	-	100,000	100%	0%
N. Lee	179,543	-	48,401	227,944	79%	21%
Total Executives	**279,543**	**-**	**48,401**	**327,944**	**85%**	**15%**
Total 2017	**459,382**	**3,800**	**61,529**	**524,711**	**88%**	**12%**

Directors' Report (continued)

Year ended 30 June 2016	Salary & fees $	Super-annuation $	Share based payments $	Total $	Fixed based remuneration %	Performance based remuneration %
Directors						
P. Wall	60,000	-	280,525	340,525	18%	82%
N. Lee	-	-	-	-	-	-
E. Cross	-	-	-	-	-	-
M. Hughes	3,333	317	1,197	4,847	75%	25%
K. Baum	45,000	-	-	45,000	100%	-
Total Directors	**108,333**	**317**	**281,722**	**390,372**	**28%**	**72%**
Executives						
E. Cross	120,000	-	-	120,000	100%	-
N. Lee	237,268	-	56,600	293,868	81%	19%
S. Zeinoghli	95,641	7,283	-	102,924	100%	-
Total Executives	**452,909**	**7,283**	**56,600**	**516,792**	**89%**	**11%**
Total 2016	**561,242**	**7,600**	**338,322**	**907,164**	**63%**	**37%**

Cash bonuses granted as compensation for the current financial year.
No Directors or Executives were granted cash bonuses or other short-term compensation.

Employee Share Option Scheme
During the year, no options were issued to Directors or related parties under the Activistic Employee Share Option Scheme.

Terms and conditions of employee share options issued under the Scheme and in existence affecting key management personnel during the financial year or future financial years are detailed below.

Series	Grant date	Fair value at grant date	Value on grant date	Exercise price	Expiry date	Vesting date
ESC003	4/05/2015	$ 0.0001	$2,600	$ 0.11	31/12/2017	4/05/2015
ACU002	4/12/2015	$ 0.1000	$85,000	$ 0.21	31/12/2019	4/12/2015
ACU005	7/06/2016	$ 0.0190	$84,325	$ 0.11	1/06/2019	1/06/2017

There have been no alteration of the terms and conditions of the above share-based payment arrangements since the grant date.

No options granted to Directors or related parties were exercised during the year.

No options granted to Directors or relates parties lapsed during the year.

Performance Rights Plan
During the year, no performance rights were issued to Directors or related parties under the Activistic Employee Share Option Scheme.

The following performance rights granted to Directors vested and converted into shares during the current financial year.

Series	Grant date	Fair value at grant date	Expiry date	Vesting date
CLASS C PR	4/12/2015	$ 0.14	N/A	31/12/2016

For details on the valuation of the options, including models and assumptions, refer to Note 17.

Loans to key management personnel
No loans were made to key personnel, including personally related entities during the reporting period.

Directors' Report (continued)

Key management personnel equity holdings

Fully paid ordinary shares

Year ended 30 June 2017	Balance at beginning of year	Granted as compensation	Performance rights converted to shares	Other changes during the year	Balance at end of year
Directors					
P. Wall	1,523,004	-	-	-	1,523,004
P. Crossin [1]	-	-	-	56,892,193	56,892,193
M. Hughes	850,000	-	-	-	850,000
N. Lee	2,363,067	-	750,000	(3,113,067)	-
E Cross	10,634,334	-	-	(10,634,334)	-

1. Paul Crossin held 56,892,193 shares prior to board appointment

Share options

Year ended 30 June 2017	Balance at beginning of year	Granted as compensation	Options Exercised	Other changes during the year	Balance at end of year	Balance Vested and exercisable at end of year
Directors						
P. Wall	1,750,000	-	-	-	1,750,000	1,750,000
P. Crossin	-	-	-	-	-	-
M. Hughes	750,000	-	-	-	750,000	750,000
N. Lee	-	-	-	-	-	-
E. Cross	3,000,000	-	-	(3,000,000)	-	-

All share options issued to key management personnel were made in accordance with the provisions of the employee share option plan.

There were no ordinary shares issued on the exercise of options previously granted as remuneration to Directors and Key Management Personnel during the financial year ended 30 June 2017.

Performance rights

Year ended 30 June 2017	Balance at beginning of year	Granted as compensation	Converted into shares	Other changes during the year	Balance at end of year
Directors					
P. Wall	-	-	-	-	-
P. Crossin	-	-	-	-	-
M. Hughes	-	-	-	-	-
N. Lee	8,750,000	-	(750,000)	(8,000,000)	-
E. Cross	-	-	-	-	-

Performance shares

Year ended 30 June 2017	Balance at beginning of year	Granted as compensation	Converted into shares	Other changes during the year	Balance at end of year
Directors					
P. Wall	-	-	-	-	-
P. Crossin	-	-	-	-	-
M. Hughes	-	-	-	-	-
N. Lee	-	-	-	-	-
E. Cross	11,025,000	-	-	(11,025,000)	-

Directors' Report (continued)

Other transactions with key management personnel

During the financial year ended 30 June 2017, the Company incurred fees of $169,376.97 with Steinepreis Paganin. Mr Peter Wall is a partner at Steinepreis Paganin. Fees relate to legal services provided to the Company.

END OF REMUNERATION REPORT

Directors' Meetings

The number of meetings of Directors held during the year and the number of meetings attended by each Director were as follows:

	Board of Directors' Meetings	
Director	**Number eligible to attend**	**Number attended**
Peter Wall	11	11
Paul Crossin	4	4
Michael Hughes	11	11
Nigel Lee	8	8
Evan Cross	10	10

Proceedings on behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

Non-Audit Services

During the financial year ended 30 June 2017, the Company's auditors, HLB Mann Judd, did not perform any other services in addition to statutory duties, other than taxation compliance services as disclosed in Note 26.

Auditor Independence and Non-Audit Services

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is set out on page 16 and forms part of this Directors' report for the year ended 30 June 2017.

Corporate Governance Statement

The Company's 2017 Corporate Governance Statement has been released as a separate document and is located on our website at www.activisticgroup.com.

Signed in accordance with a resolution of the Directors.

Paul Crossin
Executive Director
30 September 2017

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Activistic Limited for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia	**L Di Giallonardo**
30 September 2017	**Partner**

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Note	Consolidated 30 Jun 2017 $	30 Jun 2016 $
Continuing operations			
Revenue	4	55,928	14,072
Other income	4	3,464	15,842
		59,392	**29,914**
Administration and compliance	4	(2,192,493)	(1,818,318)
Corporate expenses	4	(748,324)	(1,101,643)
Marketing and business development		(1,149,180)	(2,161,849)
Software expenses		(635,697)	(441,809)
Legal and professional fees	4	(479,511)	(485,462)
Depreciation and amortisation		(241,411)	(2,355)
Share based payments		(57,896)	(661,954)
Loss on foreign exchange		(33,222)	(177,258)
Other expenses from ordinary activities		(119,029)	-
Impairment – general		(57,337)	(29,501)
Impairment of goodwill on acquisition	14	(3,200,882)	-
Finance costs		(27,212)	(2,390)
Loss before income tax expense		**(8,882,202)**	**(6,852,625)**
Income tax benefit	5	287,856	101,280
Loss after tax from continuing operations		**(8,594,346)**	**(6,751,345)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	17	115,990	35,362
Other comprehensive loss for the year, net of tax		**115,990**	**35,362**
Total comprehensive loss for the year		**(8,478,356)**	**(6,715,983)**
Loss attributable to:			
Members of Activistic Limited		(8,537,069)	(6,741,334)
Non-controlling interest		(57,277)	(10,011)
		(8,594,346)	**(6,751,345)**
Total comprehensive loss attributable to:			
Members of Activistic Limited		**(8,421,079)**	(6,705,972)
Non-controlling interest		**(57,277)**	(10,011)
		(8,478,356)	**(6,715,983)**
Basic and diluted loss per share (cents)	6	(2.11)	(4.11)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Note	Consolidated	
		30 Jun 2017 $	30 Jun 2016 $
Current assets			
Cash and cash equivalents	8	606,265	1,448,617
Trade and other receivables	9	95,329	305,044
Other current assets	10	517,907	44,659
Total current assets		**1,219,501**	**1,798,320**
Non-current assets			
Property, plant and equipment	11	15,790	15,608
Intangible assets	13	1,662,500	-
Total non-current assets		**1,678,290**	**15,608**
Total assets		**2,897,791**	**1,813,928**
Current liabilities			
Trade and other payables	16	595,187	338,404
Other current liabilities		99,585	-
Provisions		13,999	13,956
Total current liabilities		**708,771**	**352,360**
Non-Current liabilities			
Borrowings	12	1,500,000	-
Total non-current liabilities		**1,500,000**	**-**
Total liabilities		**2,208,771**	**352,360**
Net assets		**689,020**	**1,461,568**
Equity			
Issued capital	17	20,723,359	12,830,449
Reserves	17	1,543,803	1,614,915
Accumulated losses	18	(21,550,743)	(13,013,674)
Equity attributable to owners of the parent		**716,419**	**1,431,690**
Non-controlling interest	19	(27,399)	29,878
Total equity		**689,020**	**1,461,568**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

		Reserves				
Consolidated	**Issued capital $**	**Share based payment reserve $**	**Foreign currency translation reserve $**	**Accumulated losses $**	**Non-controlling interests $**	**Total equity $**
Balance at 1 July 2015	**8,920,330**	**1,202,600**	**-**	**(6,272,340)**	**39,889**	**3,890,479**
Loss for the period	-	-	-	(6,741,334)	(10,011)	**(6,751,345)**
Other comprehensive income for the period	-	-	35,362	-	-	**35,362**
Total comprehensive loss for the period	**-**	**-**	**35,362**	**(6,741,334)**	**(10,011)**	**(6,715,983)**
Shares issued during the year	3,905,000	-	-	-	-	**3,905,000**
Shares issued upon conversion of performance rights	210,000	-	-	-	-	**210,000**
Transaction costs	(309,881)	-	-	-	-	**(309,881)**
Share-based payments	105,000	376,953	-	-	-	**481,953**
Balance at 30 June 2016	**12,830,449**	**1,579,553**	**35,362**	**(13,013,674)**	**29,878**	**1,461,568**
Balance at 1 July 2016	**12,830,449**	**1,579,553**	**35,362**	**(13,013,674)**	**29,878**	**1,461,568**
Loss for the period	-	-	-	(8,537,069)	(57,277)	**(8,594,346)**
Other comprehensive income for the period	-	-	115,990	-	-	**115,990**
Total comprehensive loss for the period	**-**	**-**	**115,990**	**(8,537,069)**	**(57,277)**	**(8,478,356)**
Shares issued during the year	3,560,000	-	-	-	-	**3,560,000**
Shares issued upon conversion of performance rights	245,000	(245,000)	-	-	-	**-**
Transaction costs	(302,090)	-	-	-	-	**(302,090)**
Shares issued on business acquisition	4,390,000	-	-	-	-	**4,390,000**
Share-based payments	-	255,535	-	-	-	**255,535**
Options cancelled	-	(197,637)	-	-	-	**(197,637)**
Balance at 30 June 2017	**20,723,359**	**1,392,451**	**151,352**	**(21,550,743)**	**(27,399)**	**689,020**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	Note	Consolidated Year ended	
		30 Jun 2017	**30 Jun 2016**
		$	**$**
Cash flows from operating activities			
Receipts from customers		66,832	-
Payments to suppliers and employees		(5,275,582)	(5,928,058)
Government grants and tax incentives		389,856	-
Interest and other items of similar nature received		10,705	16,700
Interest and other costs of finance paid		(10,235)	(24)
Net cash outflow from operating activities	8	**(4,818,424)**	**(5,911,382)**
Cash flows from investing activities			
Payments for property, plant and equipment		-	(10,879)
Cash flow from loans to other entities		(660,000)	-
Cash received from acquisition of subsidiary	14	37,657	-
Net cash outflow from investing activities		**(622,343)**	**(10,879)**
Cash flows from financing activities			
Proceeds from the issue of shares		3,560,000	3,905,000
Proceeds from borrowings	11	1,500,000	-
Repayment of borrowings		(125,000)	-
Payments for share issue costs and borrowing costs		(302,090)	(309,881)
Net cash inflow from financing activities		**4,632,910**	**3,595,119**
Net decrease in cash held		(807,856)	(2,327,142)
Cash and cash equivalents at the beginning of the period		1,448,617	3,985,010
Effects of exchange rate fluctuations on cash held		(34,496)	(209,251)
Cash and cash equivalents at the end of the period	8	**606,265**	**1,448,617**

The accompanying notes for part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Statement of significant accounting policies

a) Statement of compliance

The financial report of Activistic Limited complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

b) Basis of preparation

These financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements for the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated. The financial statements are for the Group consisting of Activistic Limited and its subsidiaries.

The financial statements have been prepared on a historical cost basis, except for available-for-sale investments which have been measured at fair value. Historical cost is based on the fair values of the consideration given in exchange for goods and services.

The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

On 20 January 2017 Activistic Limited gained control over Plus Connect Limited and its subsidiaries.

The implications of the acquisition on the financial statements are as follows:

<u>Consolidated statement of comprehensive income:</u>
The consolidated statement of comprehensive income comprises the total comprehensive income for the period from 1 July 2016 to 30 June 2017 of Activistic Limited and its subsidiaries and for the period from 20 January 2017 to 30 June 2017 for Plus Connect and its subsidiaries.

The comparative information for the year ended 30 June 2016 is the consolidated statement of comprehensive income of Activistic Limited and its subsidiaries.

<u>Consolidated statement of financial position:</u>
The consolidated statement of financial position as at 30 June 2017 represents the combination of Activistic Limited and its subsidiaries and Plus Connect Limited and its subsidiaries.

The comparative information as at 30 June 2016 is the consolidated statement of financial position of Activistic Limited and its subsidiaries.

<u>Consolidated statements of cash flows:</u>
The consolidated statements of cash flows for the year ended 30 June 2017 comprises the cash flows of Activistic Limited and its subsidiaries for the period from 1 July 2016 to 30 June 2017, and for the period from 20 January to 30 June 2017 for Plus Connect and its subsidiaries.

The comparative information for the year ended 30 June 2016 is the consolidated statement of cash flows of Activistic Limited and its subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of changes in equity:
The consolidated statement of changes in equity for the year ended 30 June 2017 comprises the changes in equity of Activistic Limited and its subsidiaries for the period from 1 July 2016 to 30 June 2017, and for the period from 20 January 2017 to 30 June 2017 of Plus Connect and its subsidiaries.

The comparative information for the year ended 30 June 2016 is the consolidated statement of changes in equity of Activistic Limited and its subsidiaries.

c) Adoption of new and revised standards

Standards and interpretations applicable to 30 June 2017:
In the year ended 30 June 2017, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group accounting policies, other than the effects of AASB 16 Leases in relation to the Group's operating lease for its premises.

Standards and interpretations in issue not yet adopted:
The Directors have also reviewed all standards and interpretations in issue not yet adopted for the year ended 30 June 2017. As a result of this review the Directors have determined that there is no material impact of the standards and interpretations in issue not yet adopted by the Company and, therefore, no change is necessary to Group accounting policies.

d) Changes of classification of items in the Segment Reporting

The revenue and expenses for the financial year ended June 2016 were reclassified in order to be comparable to the current period and to more accurately represent the operating segments of the group.

e) Significant accounting estimates and judgements

The preparation of this financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were as follows:

Impairment of intangibles with indefinite useful lives and goodwill:

The Group determines whether intangibles with indefinite useful lives and goodwill are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and intangibles with indefinite useful lives are allocated. During the current year, the acquisition of Plus Connect Limited has been provisionally accounted for.

Share-based payment transactions:

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model, with the assumptions detailed in Note 17.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

f) Going concern

The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

Notwithstanding the fact that the Group incurred a net loss of $8,594,345 for the year ended 30 June 2017, the Directors are of the opinion that the Group is a going concern for the following reasons:

a) Successful history of capital raisings;
b) Potential short-term revenue through Plus Connect's lottery products.

During the year ended 30 June 2017 the Directors have completed a review of all costs and implemented a cost reduction programme in order to reduce expenditure on non-critical areas of the business. All expenses lines have been thoroughly reviewed and where possible trimmed or eliminated, including external advisers, full-time employees, Directors, and other service providers.

These measures have resulted in significant savings and will ensure the Company operates in a systematic and cost-effective manner.

As part of its re-compliance with Chapter 1 and 2 of the ASX Listing Rules, the Company expects to raise sufficient capital to continue as a going concern.

To the extent that the above measures are not successful in providing sufficient capital for the Company, there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, it may not be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

g) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries as at 30 June each year. The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Activistic Limited and its subsidiaries as at 30 June 2017, and are referred to in this financial report as the "Group" or "Consolidated Entity".

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and potential effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

h) Foreign currency translation

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The functional currency of the foreign operations is:

Activistic Inc.:	USD
Activistic UK Ltd:	GBP

i) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Interest Income
Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Wagering
Wagering revenue is recognised as the residual value remaining from lottery transactions after deducting the return to customers from their paid wagers.

j) Government grants

Grants from the government are recognised at fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

k) Income tax

The income tax expense or benefit for the year is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

l) Other Taxes

Revenues, expenses and assets are recognised net of the amount of GST or VAT except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST or VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST or VAT component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

m) Impairment of tangible and intangible assets other than goodwill

The Group assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

n) Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

o) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30-90 days. Collectability of trade receivables is reviewed on an ongoing basis.

p) Impairment of financial assets

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

q) Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the de-recognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

The licence acquired through the acquisition of Plus Connect Limited is being amortised on a straight line basis over the term of the licence which expires in June 2020.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units, or Groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with AASB 8 Operating Segments.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

r) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

s) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

t) Parent entity financial information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 2.

u) Employee leave benefits

Wages, salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and period of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

v) Property, plant & equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. The depreciable amount of all fixed assets is depreciated on a diminishing value basis over their useful lives to the Group commencing from the time the asset is held ready for use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The depreciation rates used for each class of depreciable assets are:

Property improvements	20% per annum
Plant and equipment	25% per annum

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each balance date.

Impairment
The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

w) Earnings per share

Basic earnings/(loss) per share is calculated as net profit/(loss) attributable to members, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings/(loss) per share is calculated as net profit/(loss) attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;
- the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

x) Share based payment transactions

Equity settled transactions
The Group provides benefits to employees (including directors and other executives) of the Group in the form of share based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The Group has an Incentive Option Scheme (IOS), which was approved by shareholders at the annual general meeting held in November 2015.

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Activistic Limited (market conditions) if applicable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each balance date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of profit or loss and other comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted,

the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

y) Financial assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss
Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale investments
Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

2. Parent information

	Consolidated	
	30 Jun 2017	**30 Jun 2016**
	$	**$**
Current assets	540,513	144,956
Non-current assets	1,944,359	1,374,602
Total assets	**2,484,872**	**1,519,558**
Current liabilities	295,852	57,990
Non-current liabilities	1,500,000	-
Total liabilities	**1,795,852**	**57,990**
Net assets	**689,020**	**1,461,568**
Issued capital	75,128,627	67,235,717
Accumulated losses	(77,838,401)	(69,360,047)
Share options reserve	3,398,794	3,585,898
Total shareholders' equity	**689,020**	**1,461,568**
Loss of the parent entity	**(8,478,354)**	**(7,451,004)**
Total comprehensive loss of the parent entity	**(8,478,354)**	**(7,451,004)**

2. Parent information (continued)

The parent company has not entered into any guarantees, has no significant contingent liabilities, or contractual commitments for the acquisition of property, plant or equipment as at 30 June 2017.

3. Segment Reporting

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed in order to allocate resources to the segment and to assess its performance.

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies.

The following tables are an analysis of the Group's revenue and results by reportable segment as at, and for the years ended, 30 June 2017 and 30 June 2016. All revenue is derived in Australia and all non-current assets are located in Australia.

30 June 2017	**Online Lotteries $**	**Micro-Donations $**	**Unallocated $**	**Total $**
Continuing operations				
Revenue – operations	44,882	1,082	-	**45,964**
Interest and other income	-	-	13,428	**13,428**
Total revenue	**44,882**	**1,082**	**13,428**	**59,392**
Administration and compliance	(518,441)	(1,271,564)	(402,488)	**(2,192,493)**
Corporate expenses	(79,840)	(179,543)	(488,941)	**(748,324)**
Marketing and business development	(69,823)	(1,079,357)	-	**(1,149,180)**
Software expenses	(44,215)	(591,482)	-	**(635,697)**
Legal and professional fees	(113,084)	(103,216)	(263,211)	**(479,511)**
Depreciation and amortisation	(236,078)	(5,333)	-	**(241,411)**
Share based payments	-	-	(57,896)	**(57,896)**
Loss on foreign exchange	(2,171)	(31,051)	-	**(33,222)**
Other expenses from ordinary activities	(119,029)	-	-	**(119,029)**
Impairment	(3,257,619)	-	-	**(3,257,619)**
Finance costs	(8,668)	-	(18,544)	**(27,212)**
Segment result before tax	**(4,404,086)**	**(3,260,464)**	**(1,217,652)**	**(8,882,202)**
Income tax benefit	-	287,856	-	**287,856**
Segment result	**(4,404,086)**	**(2,972,608)**	**(1,217,652)**	**(8,594,346)**
Segment assets	2,275,580	80,675	541,537	**2,897,791**
Segment liabilities	339,111	44,846	1,824,814	**2,208,771**
Acquisition of non-current assets	1,662,500	-	-	**1,662,500**

3. Segment Reporting (continued)

30 June 2016	Online Lotteries $	Micro-Donations $	Unallocated $	Total $
Continuing operations				
Revenue – operations	-	336	184	**520**
Interest and other income	-	-	29,394	**29,394**
Total revenue	-	336	29,578	29,914
Administration and compliance	-	(984,488)	(833,829)	**(1,818,317)**
Corporate expenses	-	-	(1,101,643)	**(1,101,643)**
Marketing and business development	-	(1,877,253)	(284,597)	**(2,161,850)**
Software expenses	-	(309,249)	(132,560)	**(441,809)**
Legal and professional fees	-	(151,406)	(334,056)	**(485,462)**
Depreciation and amortisation	-	(199)	(2,156)	**(2,355)**
Share based payments	-	-	(661,954)	**(661,954)**
Loss on foreign exchange	-	-	(177,258)	**(177,258)**
Other expenses from ordinary activities	-	-	-	**-**
Impairment	-	-	(29,501)	**(29,501)**
Finance costs	-	(5)	(2,385)	**(2,390)**
Segment result before tax	**-**	**(3,322,264)**	**(3,530,361)**	**(6,852,625)**
Income tax benefit	-	-	101,280	**101,280**
Segment result	**-**	**(3,322,264)**	**(3,429,081)**	**(6,751,345)**
Segment assets	**-**	35,469	1,778,459	**1,813,928**
Segment liabilities	**-**	106,946	245,414	**352,360**
Acquisition of non-current assets	**-**	-	16,872	**16,872**

4. Revenue, Other Income and Expenses

Revenue and other income from continuing operations	Consolidated Year ended 30 Jun 2017 $	30 Jun 2016 $
Revenue		
Revenue – lottery	45,964	520
Interest received	9,654	13,552
	55,928	14,072
Other Income		
Other Income	3,464	15,842
	3,464	15,842
Expenses		
Administration and compliance		
Employees costs	1,323,562	1,180,431
Administration costs	729,006	463,679
Compliance costs	139,925	174,207
	2,192,493	**1,818,318**

	Consolidated Year ended	
	30 Jun 2017	30 Jun 2016

4. Revenue, Other Income and Expenses

Corporate expenses		
Directors and secretarial fees	463,182	568,842
Investor Relations	67,953	70,429
Corporate Advisory services	50,000	115,000
General Corporate expenses	167,189	347,372
	748,324	**1,101,643**
Legal and professional		
Accounting, audit and tax	24,232	51,148
Consulting	169,161	235,201
Legal and professional	286,118	199,113
	479,511	**485,462**

5. Income Tax

The prima facie tax on loss before income tax is reconciled to income tax as follows:

	Consolidated Year ended	
	30 Jun 2017	30 Jun 2016
	$	$
Loss before tax from continuing operations	**(8,882,202)**	**(6,852,625)**
Income tax benefit calculated at 27.5% (2016: 30%)	(2,442,605)	(2,055,788)
Effect of non-deductible expenditure when calculating taxable loss	1,184,345	28,923
R&D Incentive scheme	(287,856)	(101,280)
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	1,258,260	2,026,865
Income tax benefit recognised	**(287,856)**	**(101,280)**
Unrecognised deferred tax balances		
Tax losses	3,116,220	1,926,016
Deductible temporary differences	675,462	28,923
Total unrecognised deferred tax assets	**3,791,682**	**1,954,939**

While no formal analysis has been conducted to date as to whether the Company satisfies tests allowing it to carry forward its taxation losses it is considered that a substantial part of these losses may not be capable of being carried forward. The taxation losses are only realisable if:

(i) The Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the losses and deductions to be realised;

(ii) The Company continues to comply with the conditions for deductibility imposed by the law; and

(iii) No changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the losses.

6. Loss per share

	Consolidated Year ended 30 Jun 2017	30 Jun 2016
Net loss for the financial period	(8,594,346)	(6,751,345)
Weighted average number of ordinary shares outstanding during the financial period	407,862,144	164,383,342
Basic and diluted loss per share (cents)	**(2.11)**	**(4.11)**

Potential ordinary shares, including share options, are considered anti-dilutive.

7. Dividends

No dividends were paid or proposed during the financial years ended 30 June 2017 and 30 June 2016.

8. Cash and cash equivalents

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	Consolidated 30 Jun 2017 $	30 Jun 2016 $
Bank Balances	296,207	1,448,617
Call Deposits	310,058	-
Total	**606,265**	**1,448,617**

Cash at bank earns interest at floating rates based on daily bank deposit rates. Cash deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Reconciliation of loss from ordinary activities after income tax to net cash flows from operating activities:

	Consolidated Year ended 30 Jun 2017 $	30 Jun 2016 $
Loss from ordinary activities after income tax	(8,594,346)	(6,751,345)
Adjustments for:		
Depreciation and amortisation	241,411	2,355
Foreign currency losses	33,222	177,258
Impairment	3,257,619	29,501
Share based payments	57,896	661,954
Movements in assets and liabilities		
Decrease / (increase) in debtors	209,715	(113,805)
Decrease / (increase) in other current assets*	(380,351)	(44,659)
(Decrease)/Increase in accounts payable	256,783	153,528
(Decrease)/Increase in other provisions	99,627	(26,169)
Cash outflow from operating activities	**(4,818,424)**	**(5,911,382)**

*adjusted to reflect assets acquired through business combination.

9. Trade and other receivables

	Consolidated	
	30 Jun 2017 $	30 Jun 2016 $
Trade debtors	1,498	590
Other receivables	93,831	203,174
Tax benefit receivable – R&D tax incentive	-	101,280
	95,329	**305,044**

Other Receivables comprise mainly GST/VAT receivable. There are no receivables that are past due but not impaired.

10. Other current assets

	Consolidated	
	30 Jun 2017 $	30 Jun 2016 $
Term deposits	275,611	20,000
Security deposits	15,213	-
Prepayments	227,083	24,659
	517,907	**44,659**

11. Property, plant and equipment

	Consolidated	
Carrying values	30 Jun 2017 $	30 Jun 2016 $
Computer equipment		
Cost	21,613	16,238
Depreciation	(7,290)	(2,081)
	14,323	14,157
Fixtures and fittings		
Cost	2,099	1,725
Depreciation	(632)	(274)
	1,467	1,451
	15,790	**15,608**

Computer equipment		
Opening net book value	14,157	1,091
Additions	10,854	15,147
Depreciation	(4,923)	(2,081)
Written off during the period	(5,765)	-
Closing net book value	**14,323**	**14,157**
Fixtures and fittings		
Opening net book value	1,451	-
Additions	4,405	1,725
Depreciation	(358)	(274)
Written off during the period	(4,031)	-
Closing net book value	**1,467**	**1,451**

11. Property, plant and equipment (continued)

Software and Websites		
Opening net book value	-	-
Additions	56,736	-
Written off during the year	(56,736)	-
Closing net book value	-	-
	15,790	**15,608**

12. Borrowings

During the year the Company negotiated a two year $2 million convertible note facility to finance its working capital requirements. The facility was chosen over a potentially dilutive equity issue to allow the Company to generate value accretive results and revenues over the medium term to enhance shareholder value.

Conversion into shares is subject to shareholder approval, a 30% discount to VWAP for the preceding 20 trading days on ASX and a floor price of $0.05 per share.

As at 30 June 2017 the Company has drawn down $1,500,000 from the facility. Interest of 8% per annum accrues daily and is payable quarterly in arrears. There is no material equity portion of this facility.

13. Intangible Assets

	Consolidated	
	30 Jun 2017	**30 Jun 2016**
	$	**$**
Licence acquired through business combination (Note 14)	1,888,122	-
Less amortisation since acquisition	(225,622)	-
Net carrying value	1,662,500	-

14. Business Combination

On 20 January 2017, the Company obtained control over Plus Connect Limited and its subsidiaries, and following the compulsory acquisition provisions of the Corporations Act, Plus Connect Limited became a wholly-owned subsidiary of the Company.

The total cost of the combination was $4,390,000 and comprised an issue of equity securities.

The fair values of the net tangible assets and consideration paid are as follows:

	$
Consideration Paid	
Issue of 171,164,028 shares under the off-market takeover offer	3,936,772
Issue of 8,835,988 shares under compulsory acquisition	203,228
Issue of 12,500,000 shares to Plus Connect creditor	250,000
Fair value of consideration paid	4,390,000
Net tangible assets acquired	
Current assets	518,830
Non-current assets	9,795
Current liabilities	(1,053,202)
Non-current liabilities	(250,000)
Net tangible assets acquired	(774,577)

15. Business Combination

	$
Other identifiable intangible assets acquired - licence	1,888,122
- other	75,573
Fair value of net assets acquired	1,189,118
Excess of fair value of consideration paid over identifiable assets acquired (goodwill)	**3,200,882**

Net cash inflow arising on acquisition:

	$
Cash paid	-
Add: Net cash acquired with the subsidiary	37,657
Net cash inflow	**37,657**

Impact of acquisition on the results of the Group:

If the combination has taken place at the beginning of the year, the loss of the Group would have been $9,364,345 and revenue from continuing operations would have been $95,333.

In determining the pro-forma revenue and profit of the Group had Plus Connect been acquired at the beginning of the current reporting period, the Directors have considered the current results of the business acquired.

Impairment of goodwill:

The assessment of recoverable amount for goodwill has resulted in an impairment loss being recorded of $3,200,882. This is due to the early stages of the Plus Connect business and the uncertainty in accurately forecasting cash inflows sufficient to support the carrying value of this goodwill. The impairment loss has been recognised in the statement of profit or loss and other comprehensive income.

Provisional accounting for the business combination:

At balance date, the initial accounting for the business combination is incomplete as the Company is currently finalising the valuation of the licence acquired which is shown above at its carrying value in the accounting records of Plus Connect Limited. The amounts recorded above are therefore provisional amounts and in accordance with the provisions of AASB 3 Business Combinations, the Company will finalise this initial accounting in the next financial period. If during this measurement period the final determination of the valuation of the acquired licence, the resultant goodwill (if any) or the valuation of any other asset or liability acquired differ materially to the provisional amounts recorded above, the Company will retrospectively adjust the provisional amounts recognised at the acquisition date.

16. Trade and other payables

	Consolidated	
	30 Jun 2017 $	30 Jun 2016 $
Current liabilities		
Trade creditors	502,112	269,602
Employee obligations	29,682	44,059
Accrued expenses	63,393	24,743
	595,187	**338,404**

17. Issued capital and reserves

Fully paid ordinary shares	Year ended 30 Jun 2017 No.	Year ended 30 Jun 2017 $	Year ended 30 Jun 2016 No.	Year ended 30 Jun 2016 $
Balance at the start of the financial year	**181,806,963**	**12,830,449**	**143,534,236**	**8,920,330**
Acquisition of Plus Connect Ltd				
Issue of shares on acquisition	180,000,016	4,140,000	-	-
Issued of shares to creditor	12,500,000	250,000	-	-
Shares issued for cash	178,000,000	3,560,000	35,500,000	3,905,000
Share based payments	-	-	1,272,727	105,000
Capital raising costs	-	(302,090)	-	(309,881)
Performance rights converted to shares	1,750,000	245,000	1,500,000	210,000
Balance at the end of the financial year	**554,056,979**	**20,723,359**	**181,806,963**	**12,830,449**

Share options	Year ended 30 Jun 2017 No.	Year ended 30 Jun 2017 $	Year ended 30 Jun 2016 No.	Year ended 30 Jun 2016 $
Balance at the start of the financial year	49,840,494	1,457,811	41,090,494	1,202,600
Options issued during the year	-	-	8,750,000	255,211
Options expensed during the year	-	132,275	-	-
Options cancelled during the year	(6,250,000)	(197,635)	-	-
Balance at the end of the financial year	**43,590,494**	**1,392,451**	**49,840,494**	**1,457,811**

Performance shares	Year ended 30 Jun 2017 No.	Year ended 30 Jun 2017 $	Year ended 30 Jun 2016 No.	Year ended 30 Jun 2016 $
Balance at the start of the financial year	49,000,000	-	-	-
Issued during the year	-	-	49,000,000	-
Converted into shares	-	-	-	-
Balance at the end of the financial year	**49,000,000**	**-**	**49,000,000**	**-**

Performance rights	Year ended 30 Jun 2017 No.	Year ended 30 Jun 2017 $	Year ended 30 Jun 2016 No.	Year ended 30 Jun 2016 $
Balance at the start of the financial year	9,750,000	121,743	-	-
Issued during the year	-	-	11,250,000	331,743
Expensed during the year	-	123,257	-	-
Converted into shares	(1,750,000)	(245,000)	(1,500,000)	(210,000)
Cancelled during the year	(8,000,000)	-	-	-
Balance at the end of the financial year	**-**	**-**	**9,750,000**	**121,743**

Terms and conditions of contributed equity

Holders of ordinary shares are entitled to receive dividends as declare from time to time and are entitled to one vote per share at shareholder' meetings.

In the event of winding up the Company, ordinary shareholders rank after all other shareholders and creditors are fully entitled to any proceeds of liquidation.

17. Issued capital and reserves (continued)

Capital risk management
The consolidated entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may issue new shares, pay dividends or return capital to shareholders.

The consolidated entity monitors capital with reference to the net debt position, the consolidated entity's current policy is to ensure that cash and cash equivalents exceed debt at all times.

	Year ended 30 Jun 2017 $	Year ended 30 Jun 2016 $
Reserves		
Foreign currency translation reserve		
Opening balance	35,362	-
Exchange differences on translation of foreign operations	115,990	35,362
Balance at the end of the year	151,352	35,362
Share based payments reserve		
Opening balance	1,579,553	1,202,600
Share based payments during the year	57,898	376,953
Transfer to accumulated losses	(245,000)	-
Balance at the end of the year	1,392,451	1,579,553
	1,543,803	**1,614,915**

Nature and purpose of reserves
The Share Based Payment Reserve is used to recognise the fair value of options and performance shares issued to employees and suppliers.

The Foreign Currency Translation Reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Share based payments

The following share based payment arrangements were in place during the current and prior periods:

Series	Grant Date	Expiry Date	Exercise Price Cents	Fair Value at Grant Date Cents	Vesting Date
ESC001	4/05/2015	31/12/2017	11.0	0.001	Immediate
ESC002	30/04/2015	31/12/2017	11.0	0.001	Immediate
ESC003	4/05/2015	31/12/2017	11.0	0.001	Immediate
ESC004	20/05/2015	31/12/2017	11.0	0.001	Immediate
ACU002	4/12/2015	31/12/2019	21.0	10.0	Immediate
ACU003	31/03/2016	31/12/2019	13.22	5.0	28/01/2018
ACU004	31/03/2016	31/12/2019	21.0	9.7	28/01/2018
ACU005	7/06/2016	1/06/2019	11.0	1.9	1/06/2017

17. Issued capital and reserves (continued)

There has been no alteration of the terms and conditions of the above share based payment arrangements since grant date.

Share options

The following table illustrates the number and weighted average exercise prices of and movements in share options issued during the year:

	2017		2016	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Outstanding at the beginning of the year	**49,840,494**	**0.12**	**41,090,494**	**0.11**
Granted during the year	-	-	8,750,000	0.16
Lapsed or cancelled during the year	(6,250,000)	0.16	-	-
Outstanding at the end of the year	**43,590,494**	**0.11**	**49,840,494**	**0.12**
Exercisable at the end of the year	**43,590,494**	**0.11**	**42,840,494**	**0.11**

The share options outstanding at the end of the year had a weighted average remaining contractual life of 222 days (2016: 1,075 days)

The fair value of the equity-settled share options on issue or granted during the year is estimated as at the date of grant using the Black and Scholes model taking into account the terms and conditions upon which the options were granted.

			Option Series		
30 June 2017	**ACU001**	**ACU002**	**ACU003**	**ACU004**	**ACU005**
Dividend Yield (%)	-	-	-	-	-
Expected Volatility (%)	115.25	115.25	107.16	115.25	109.45
Risk-free interest rate (%)	2.14	2.14	2.05	2.17	1.58
Expected life of option (years)	4.08	4.08	3.75	3.75	2.98
Exercise price (cents)	21.0	21.0	13.2	21.0	11.0
Grant date share price (cents)	14.0	14.0	8.0	14.0	4.0
Fair value at grant date (cents)	10.0	10.0	5.0	9.7	1.9

The expected life of the options is based on historical date and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

18. Accumulated losses

	Consolidated Year ended	
	30 Jun 2017	**30 Jun 2016**
Balance at beginning of financial year	**(13,013,674)**	(6,272,340)
Loss for the year	(8,537,068)	(6,741,334)
Balance at the end of the financial year	**(21,550,742)**	**(13,013,674)**

19. Non-controlling interest

	Consolidated Year ended 30 Jun 2017 $	30 Jun 2016 $
Issued capital	64,935	64,935
Retained losses	(92,334)	(35,057)
	(27,399)	29,878

The non-controlling interest has a 49% equity holding in Biohealth Pty Ltd and a 49% equity holding in Sports Lottery Australia.

20. Financial Instruments

The Company is exposed to a variety of risks arising from its use of financial instruments. This note represents information about the Company's exposure to the specific risks, and the policies and processes for measuring and managing those risks. The Board of Directors has the overall responsibility for the risk management framework.

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return

Credit risk
Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, and receivables. The maximum exposure to credit risk at the reporting to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial report

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unnecessary losses or risking damage to the Group's reputation.

The Group's objective is to maintain adequate resources by continuously monitoring forecast and actual cash flows and maturity profiles of assets and liabilities.

Interest rate risk
The Group does not have borrowings and therefore exposure to interest rate risk is minimal. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash balances with floating interest rates.

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities at the reporting date are as follows:

20. Financial Instruments (Continued)

Financial Instrument	Floating Interest 2017 $	Floating Interest 2016 $	Non-Interest bearing 2017 $	Non-Interest bearing 2016 $	Total 2017 $	Total 2016 $
Financial assets						
Cash	310,058	1,448,617	296,207	-	606,265	1,448,617
Receivables	-	-	95,329	305,044	95,329	305,044
Other current assets	290,824	20,000	-	24,659	290,824	44,659
Total financial assets	600,882	1,468,617	391,536	329,703	992,418	1,798,320
Weighted average interest rate	1.70%	1.75%				
Financial liabilities						
Loan payable	1,500,000	-	-	-	1,500,000	-
Payables	-	-	595,186	338,404	595,186	338,404
Total financial liabilities	1,500,000	-	595,186	338,404	2,095,186	338,404
Weighted average interest rate	8.0%	-				

The Company has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest Rate Sensitivity Analysis

At 30 June 2017, the effect on profit or loss as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	Consolidated Year ended	
Change in profit or loss/equity	**30 Jun 2017 $**	**30 Jun 2016 $**
Increase in interest rate by 100 basis points	2,459	14,686
Decrease in interest rate by 100 basis points	(2,459)	(14,686)

There is no significant impact of interest rate risk as cash is the only asset with interest rate exposure.

Fair values

The carrying amount approximates fair value for all financial assets and liabilities.

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. The consolidated entity also holds funds in foreign currencies.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency.

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and British Pound. The entity is also exposed to intercompany loans in foreign currencies. Carrying amounts for Parent and Australian subsidiaries are in Australian dollars and for the US and UK subsidiaries are in US Dollar and British Pound respectively.

20. Financial Instruments (Continued)

Exchange Rate Sensitivity Analysis
At 30 June 2017, the effect on profit or loss as a result of changes in the exchange rate, with all other variables remaining constant would be as follows:

	Consolidated Year ended	
Change in profit or loss/equity	**30 Jun 2017 $**	**30 Jun 2016 $**
Increase in exchange rate by 100 basis points	153,323	257,449
Decrease in exchange rate by 100 basis points	(153,323)	(257,449)

21. Commitments

Finance lease commitments
The company has no finance lease commitments contracted for as at 30 June 2017 (2016: Nil)

Capital commitments
The Company has no capital commitments contracted for as at 30 June 2017 (2016: Nil)

Operating lease commitments

	Consolidated Year ended	
	30 Jun 2017 $	**30 Jun 2016 $**
Due within 1 year	50,455	103,845
Due after 1 year but not more than 5 years	52,473	54,572
Due after more than 5 years	-	-
	102,928	158,417

Operating lease commitments include amounts related to a four-year lease of an office. On each anniversary of the lease commencement date, the rent will be increased by a fixed rate of 4%.

22. Contingencies

There are no contingencies at 30 June 2017 (2016: nil).

23. Key management personnel disclosures

Details of key management personnel:

Directors	
Peter Wall	Non-Executive Chairman
Paul Crossin	Executive Director – appointed 20 January 2017
Michael Hughes	Non-Executive Director
Nigel Lee	Non-Executive Director – resigned 31 March 2017
Evan Cross	Non-Executive Director – resigned 30 April 2017

Aggregate remuneration of key management personnel:

	Consolidated Year ended 30 Jun 2017 $	30 Jun 2016 $
Salary and fees	459,382	561,242
Superannuation and annual leave provision	3,800	7,600
Share based payments	61,529	338,322
Total	**524,711**	**907,164**

24. Related party disclosures

Particulars in relation to controlled entities:

Controlled entities	Country of Incorporation	Financial Reporting Date	Interest held Year ended 30 June 2017 %	30 June 2016 %
Activistic Holdings Pty Ltd	Australia	30-Jun	100	100
Plus Connect Ltd	Australia	30-Jun	100	-
Plus Connect NT	Australia	30-Jun	100	-
Plus Connect NF	Australia	30-Jun	100	-
Winners Connect	Australia	30-Jun	100	-
Sports Lottery Australia [3]	Australia	30-Jun	51	-
Activistic Inc. [1]	USA	31-Dec	100	100
Activistic UK Ltd [1]	UK	31-Mar	100	100
Biohealth Pty Ltd [3]	Australia	30-Jun	51	51
Inqbate Pty Ltd [2]	Australia	30-Jun	-	100
Acuvax Immunology Services Pty Ltd [2]	Australia	30-Jun	-	75

1. Subsidiary of Activistic Holdings Pty Ltd
2. Deregistered
3. Summarised financial information for these subsidiaries that are not wholly-owned has not been disclosed as this information is not considered material to the Group.

Director related entities

During the financial year ended 30 June 2017, the Company incurred fees of $169,377 with Steinepreis Paganin. Mr Peter Wall is a partner at Steinepreis Paganin. Fees relate to legal services provided to the Company on normal commercial terms.

25. Events subsequent to the reporting date

The following event has arisen in the interval between the end of the reporting period and the date of this report:

The Company has raised $700,000 through convertible notes to finance its working capital requirements and to assist with re-compliance. Conversion is subject to shareholder approval. This amount comprises a $500,000 drawdown from the facility that existed at balance date, together with a new $200,000 facility that was entered into in September 2017.

26. Auditor's remuneration

Total remuneration paid or payable to auditors during the financial period is detailed below.

	Consolidated Year ended	
	30 Jun 2017 $	30 Jun 2016 $
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Audit and review of financial reports	23,000	21,000
Other services – taxation compliance	2,500	-
Total	**25,500**	**21,000**

Directors' declaration

In accordance with a resolution of the directors of Activistic Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the Group are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards and *Corporations Regulations 2001*;

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors

Paul Crossin
Non-Executive Director
30 September 2017

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Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of Activistic Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Activistic Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1(f) in the financial report, which indicates the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report**.**

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Key Audit Matter	How our audit addressed the key audit matter
Business Combination Note 14 of the financial report	
During the year, the Group acquired 100% of the issued share capital of Plus Connect Limited for gross purchase consideration of $4,390,000. The acquisition was made via an off-market takeover offer. This is considered a significant transaction for the Group. We focused on this area as a key audit matter as accounting for this transaction is a complex and judgemental exercise, requiring management to determine the fair value of acquired assets and liabilities, in particular determining the allocation of purchase consideration to goodwill and separately identifiable intangible assets. Management has provisionally accounted for this acquisition in accordance with AASB 3 *Business Combinations*.	Our procedures included but were not limited to the following: ▪ We read the Bidder's Statement issued by the Company in relation to the takeover offer to understand the key terms and conditions; ▪ We assessed the principles applied in the acquisition accounting; ▪ We considered whether or not Plus Connect Limited constituted a business under AASB 3; ▪ We considered the allocation of the excess of the consideration paid over the identifiable net assets acquired to goodwill and other intangible assets and have noted that the excess attributed to goodwill has been impaired at acquisition date; ▪ We obtained audit evidence that the acquisition-date assets and liabilities of Plus Connect were fairly stated and have agreed that the Group is permitted to provisionally account for the business combination as the initial accounting is incomplete; and ▪ We assessed the adequacy of the Group's disclosure with respect to the business combination.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2017.

In our opinion, the remuneration report of Activistic Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

HLB Mann Judd

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HLB Mann Judd
Chartered Accountants

L Di Giallonardo
Partner

Perth, Western Australia
30 September 2017