



Thred Delivers December 2017 Quarter Activities and Cash Report

Thred Ltd (ASX: THD, Thred or the Company) is pleased to provide shareholders with an overview of the December 2017 quarter activities and an update on business and technology developments. Thred's Appendix 4C statement is attached to this update.

Highlights:

1. Positive effects of fiscal and strategic discipline now evident;
2. Accelerated technology enhancements and deployment;
3. Sweep growth continues; and,
4. Growth in Agent Reality sales pipeline.

Cash Management

Management continues to focus on reducing spend across the business. The 2nd quarter cash outflows were 27% lower than the first quarter (July to September 2017).

We expect the 3rd quarter forecast cash outflows to remain conservative, as our goal is to employ cash reserves even more judiciously and strategically.

Now that the Company has established a robust and scalable technology platform, it is pursuing several avenues to outsource less critical components of its platform. This is expected to have a positive impact on development velocity and cash outflows in coming quarters.

Due to the growth in usage of the Sweep app, and the [early addition of augmented reality features for the O-week trials](#), there will now be a shift from Sweep and technology expenditure to Agent Reality sales pipeline expenditure. Over the next quarter, marketing related expenditure on Sweep will be reduced to also positively impact cash outflows.

Since late December 2017, the Company has shifted its focus towards enhancing and fast tracking the enterprise model Agent Reality.

The proceeding actions will assist the Company in delaying a requirement for additional capital.

Technology Development

Our technology platform has been substantially improved during the last quarter with a focus on activities and enhancements that delivered:

- Increased client-side and back-end scalability and robustness (necessary foundation building);
- The underlying basis for expected growth in Sweep users and Agent Reality customers;
- Augmented reality functionality that can simultaneously support the Sweep app and Agent Reality customers; and,
- Several key R&D projects that were required to support Sweep and Agent Reality programs for the 2018 schedule of work.

The future focus of Thred's technology team will place more emphasis on augmented reality R&D and product development and outsourcing non-critical components with an eye to cost reductions where feasible.



Sweep app update

Thred recently announced that it was updating the Sweep app with augmented reality features two months ahead of schedule. This new feature will be trialled in the upcoming O-week activations in February. The O-week program was outlined in a [previous announcement](#) and is a planned continuation of Sweep's program of trials and user growth. Now that the technology has shifted its attention to augmented reality delivery for enterprise clients, we believe we are positioned to simultaneously deliver several of the Sweep app concepts we presented to shareholders in October and November last year.

Our Geochat testing has met with the technical and user expectations and as a result we are now developing products that will deliver broader enterprise applications for Geochats that we will commercialise via Agent Reality.

The Sweep app continues to evolve according to our initial vision and we expect to increase its value proposition to consumers with the integration of augmented reality in the next few months. Sweep's active users continue to increase at a consistent rate. The increase in users has also increased demand for more Geochats to facilitate participation and the testing of product enhancements. Thred is pleased to report that up to 100 additional Geochats are being established to facilitate this.

Agent Reality update

The Company can report that its business development for Agent Reality is well advanced, having presented to numerous large marquee brands. We have revenue-generating proposals with five of these prospective enterprises and expect commercial decisions in the near future.

We have seen very strong alignment with our Agent Reality value proposition and of more significance, we have determined that most of these brands are already forming commercial strategies around augmented reality and acknowledge that it will underpin many aspects of their consumer's everyday life.

Importantly, the profile of the sales pipeline continues to mature, as enterprise partnerships move through the various stages of the sales process. This has led to increased confidence that the Agent Reality business proposition will resonate with a rapidly growing augmented reality market.

Looking ahead

Thred has achieved earlier than expected technology and Sweep goals, therefore the next quarter will see a shift in management fast tracking the Agent Reality business and further research and development. We remain very focussed on revenue generation.

Market feedback continues to drive development of solution-based features within the existing technology. Our confidence in the prospects for the Company is underpinned by two important observations, informed by our recent client meetings:

1. Augmented reality is a future facing technology that brands are now proactively researching and understanding and they are actively seeking solutions to make it a key part of their digital ecosystem. The market demand currently exists and is growing at a phenomenal rate.
2. The traction and uptake for augmented reality solutions will only occur when technology companies can deliver solutions that solve real business challenges with ease, scalability and cost effectiveness. Brands will integrate augmented reality into their business if simple 'product based' utility solutions are provided that derive key benefits, such as revenue, customer acquisition and consumer engagement.



Thred is positioning Sweep and Agent Reality as product and ecosystem-based solutions that deliver augmented reality utility for consumers and brands. This will position Thred as a differentiated, leading-edge player in the burgeoning augmented reality market. Management remains confident that it will be in a position to announce operational revenue in the near future.

Thred's MD Geoff Marshall said: "We are pleased with the traction the Sweep app is obtaining with growth in downloads since the 1st of January, exceeding our expectations. User requests for further Geochats has been high and we are creating additional locations around Australia. The Sweep trials have also provided evidence of application across enterprise clients which we are the process of designing and developing products for."

"Our R&D continues to progress to the extent that we are now comfortable to release augmented reality technologies to consumers and shareholders very soon."

Thred: Thred Limited (ASX: THD) is a technology company with expertise in geo-location, augmented reality and new communication technologies which yield big data. Thred has developed an in-market version of its new augmented reality and geo-locked chats platform, called **Sweep**.

Sweep will continually innovate features to leverage important new technologies such as, but not limited to, augmented reality and geo-location. The Company will also progressively integrate proven and tested AR and geo-locked features over the coming months to increase its user audience and drive revenue growth via a new and effective business model. **Sweep is now available through iTunes & Play Store.** Following a period of user feedback around Sweep features, Thred will periodically release a schedule of updates to Sweep, delivering new features and improvements to increase its user uptake and retention.

Thred has also established an enterprise version of its business model called **Agent Reality**. This is intended to leverage the Sweep platform technology and capabilities and provide them to brands and 3rd party distribution channels. This model delivers the duality of mutual learnings across both consumer and enterprise models while establishing multiple monetisation channels for our Company.

Forward Looking Statements

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

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

Sweep and Agent Reality are Thred Innovations



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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

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

Name of entity

THRED LIMITED (ASX:THD)

ABN

36 124 541 466

Quarter ended (Current quarter)

31 December 2017

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 Months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for:	-	-
(a) research and development	(243)	(1,080)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(84)	(130)
(d) leased assets	-	-
(e) staff costs	(434)	(652)
(f) administration and corporate costs (incl. payments of GST)	(481)	(891)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	19	22
1.6 Income taxes (paid) / refunded	-	-
1.7 Government grants and tax incentives	1,588	1,588
1.8 Other (provide details if material):	-	-
1.9 Net cash from / (used in) operating activities	365	(1,143)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material): Advances to director	-	-
2.6 Net cash from / (used in) investing activities	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 Months) \$A'000
3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(10)	(30)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	(10)	(30)
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	2,950	4,478
4.2 Net cash from / (used in) operating activities (item 1.9 above)	365	(1,143)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(10)	(30)
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of quarter	3,305	3,305
5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	1,132	423
5.2 Call deposits	2,173	2,527
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,305	2,950
6. Payments to directors of the entity and their associates		Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2		93
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3 and 2.5		-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2		
In respect to 6.1: Salaries and consulting fees paid to directors and their related parties. Amounts include reimbursements to directors.		
7. Payments to related entities of the entity and their associates		Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2		-
7.2 Aggregate amount of cash flow from loans to these parties included in items 2.3		-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2		
Nil		

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

Nil

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(400)
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	(100)
9.4 Leased assets	-
9.5 Staff costs	(400)
9.6 Administration and corporate costs	(300)
9.7 Other (provide details if material):	-
9.8 Total estimated cash outflows	(1,200)

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

Compliance statement

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.

Signed: _____ Dated: Wednesday, 31 January 2018

Company Secretary

Print name:

Notes

- The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
- If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
- Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.