

ASX Release: 31 August 2016

ASX: WSG

June 2016 Appendix 4E and Preliminary Final Report Commentary

WolfStrike Creates Solid Platform for Growth in FY 2016

Technology rentals company, WolfStrike Rentals Group Limited (ASX: WSG) has today released its Appendix 4E – Preliminary Final Report for the financial year ended 30 June 2016 – as **attached**

Whilst the Company recorded a statutory loss for the year of (\$12,578,453), this result was largely impacted by a number of one-off costs primarily associated with the vend in of the WolfStrike group of companies and the re-listing of the enlarged entity on the ASX.

These non-recurring costs, which also included accumulated losses of the entity prior to the acquisition date of 18 March 2016, as well as one-off provisioning as required by Australian accounting standards, amounted to approximately \$12.11 million.

The Company also notes that revenue for the period of \$1.37 million was derived entirely from the period post acquisition (however noting there was a full year of corporate costs for WSG), and therefore does not reflect the potential of the combined group for a full year.

WolfStrike is encouraged by the progress it made in a relatively short period in FY 2016, having established its maiden operations in Australia while concurrently growing its established presence in New Zealand. The Company now has over 3,200 clients and contracted cashflows (inclusive of GST) of A\$9.7M as at 30 June 2016.

Post end of period, WolfStrike took the decision to move to a predominantly external sales and distribution model, having undertaken a review that indicated that this would better serve its needs. More critically, through significantly streamlining its operations this way, the Company will save approximately \$2.2 million per annum in recurring costs, without material loss in revenue.

Further, by adopting this external agency model which delivers a greater degree of financial flexibility, WolfStrike may now dedicate its resources to growing its rental book while assessing strategic and accretive acquisitions.

The Company has also maintained a keen focus on reducing the finance costs associated with its rental book, as this is a significant part of its recurring cost base, and continues to make progress in this regard.

WolfStrike Managing Director, Ian Bailey, commented: "Financial year 2016 has been one of solid progress for what is now WolfStrike Rentals Group Limited."

"We enter FY 2017 with significantly streamlined operations and a strengthened balance sheet, well placed for further growth and development."

"I look forward to updating shareholders on our progress across the business in the coming weeks and months."

– ENDS –

For further information please contact:



Ian Bailey**Managing Director****WolfStrike Rentals Group Limited: AU: +61 2 9247 6844 or NZ: +64 9 282 5953**investors@wolfstrike.netwww.wolfstrike.net**About WolfStrike Rentals**

WolfStrike Rentals Group is an Australasian Company with a core focus on the financing and management of rental contracts for technology solutions. With operations throughout Australia and New Zealand, WolfStrike provides a range of financial and operational services to SMEs.

In addition to providing rental facilities, WolfStrike also manages its own direct and agent-based sales network which provides a consistent deal flow to the rental Company.





WolfStrike Rentals Group Limited

ABN 71 107 745 095

Appendix 4E

Preliminary Final Report

For the Year Ended 30 June 2016
(and previous corresponding period: year ended 30 June 2015)

In Compliance with ASX Listing Rule 4.3A

Appendix 4E – Preliminary Final Report

(ASX Listing rule 4.2A)

Company Name: WolfStrike Rentals Group Limited
ABN: 71 107 745 095
Reporting Period: Financial year ended 30 June 2016
Previous Reporting Period: Financial year ended 30 June 2015

Results for Announcement to the Market

The results of WolfStrike Rentals Group Limited for the year ended 30 June 2016 are as follows:

Revenues	Up	>100%	To	\$1,373,339
Loss from ordinary activities before transaction costs, impairment, finance costs, depreciation, amortisation and tax	Down	5%	To	(\$1,058,990)
Loss after tax attributable to members	Down	>100%	To	(\$12,578,453)

Brief explanation of figures reported above

WolfStrike Rentals Group Limited recorded revenue of \$1,373,339 for the year ended 30 June 2016 (2015: \$173,796).

WolfStrike Rentals Group Limited has incurred a loss for the year of (\$12,578,453) (2015: \$1,003,913). This loss was primarily contributed by the significant transaction costs incurred during the year ended 30 June 2016 in relation to the re-quotation.

Net Tangible Assets per Share

	2016	2015
Net Tangible Assets	(3,494,246)	(1,394,432)
Shares (No.)	842,775,340	38,446,340
Net Tangible Assets per Share (cents)	(0.41)	(3.63)

Loss per Share

	2016	2015
Basic /diluted loss per share (cents)	(5.49)	(1.59)

Status of Audit of Accounts

These accounts are currently in the process of being audited. An Annual Report for the year ended 30 June 2016 containing the Audit Report shall be provided in due course.

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Operations Report

The Directors of WolfStrike Rentals Group Limited present their report on the consolidated entity (referred to hereafter as the 'Group' or 'Consolidated Entity' or 'WolfStrike' or 'WSG') consisting of WolfStrike Rentals Group Limited and the entities it controlled at the end of, or during, the year ended 30 June 2016.

Directors

The following persons were Directors of WolfStrike Rentals Group Limited during the whole of the financial year and up to the date of this report, unless stated otherwise:

Ian Bailey (Managing Director) appointed 22 March 2016

Robin Armstrong (Non-Executive Director)

Quentin Olde (Non-Executive Director)

John Seton (Non- Executive Director) appointed 23 June 2016

Harry Fung (Non-Executive Director) resigned 23 March 2016

Company Secretary

Eryn Kestel

Principal Activities

The principal activities of WolfStrike are to act as a technology rentals company financing payment terminals, POS systems CCTV and Security systems to customers in Australia and New Zealand.

Significant changes in the state of affairs

Acquisition of WolfStrike Distributors Limited, WolfStrike Rental Services Limited and WolfStrike Distributors Pty Ltd.

WolfStrike Rentals Group Limited completed following shareholder approval on 1 March 2015 the acquisition of WolfStrike Distributors Limited ("WDL"), WolfStrike Rental Services Limited ("WRS") and WolfStrike Distributors Pty Ltd ("WDPL"), collectively "the WolfStrike acquisition" on 18 March 2016. The consideration for the purchase of the business was through the issuance of 404,329,000 shares at a consideration of 2 cents per share.

Pursuant to Australian Accounting Standard AASB 2 'Share Based Payments', WolfStrike Rentals Group Limited is deemed to be the acquirer of these Companies.

WRS' core business is the financing and management of rental contracts with payment and POS technology products; the products are provided to merchants and retailers. WRS manages the finance leases and operating leases comprising the rental contracts for the WolfStrike business. All costs incurred by WRS in the course of managing such rental contracts are paid for by WDL.

WDL is the sales support and refurbishment arm of the New Zealand group of the WolfStrike business.

WDPL was acquired as part of the WolfStrike Acquisition. WDPL is an Australian company incorporated in April 2013. The board anticipates that WDPL will provide sales and distribution channels in Australia.

Re-admittance to quotation on the ASX

On 24 March 2016 WolfStrike was admitted to re-quotation on the ASX under ticker code WSG.

As part of this re-quotation the Company also raised the following securities;

- the issuance of 100,000,000 shares at 2 cents per share to raise capital of \$2,000,000;
- the issuance of 50,000,000 shares to promoters; and

- the issuance of 250,000,000 at 2 cents per share and the issue of 125,000,000 share options in order to convert a number of convertible notes in WolfStrike Rentals Group Limited.

Review and Results of Operations

Revenue for the year was \$1,373,617 compared to \$173,796 in the previous year. The significant increase in revenue was due to the acquisition of WDL and WRS with trading income being recognised from 18 March 2016. Revenue was primarily recognised by finance lease receipts from the customer rental book acquired from the acquisition of WRS.

The financial result from operations before transaction costs, finance costs, depreciation, amortisation and tax was a loss of \$1,058,991 compared to a loss of \$1,003,913 in the previous year.

Net losses after bringing the transaction costs, impairment charges and finance costs to account, was a loss of \$12,578,453 compared to a loss of \$1,003,913 in the previous year. The loss was due to transactions costs associated with the WolfStrike Acquisition of \$11,112,484, being included as a one off item for the year ended 30 June 2016.

Financial Position and Capital Resources

As anticipated, the Consolidated Group's revenue from sales has been insufficient to cover operational costs of the business and hence the company experienced operating losses during the year ended 30 June 2016. The Company's continuing viability, its ability to continue as a going concern and to meet its debts and commitments as they fall due, are subject to the company being successful in:

Accessing additional capital

The Company has a record of accomplishment of raising capital during the 12 months to 30 June 2016. On 24 March 2016, the Company successfully raised \$2.0 million through a prospectus issue. The Company expects to raise up to A\$2,500,000 million with a further Convertible Loan issue, with commitments to date totaling A\$1,560,000.

Controlling costs and better cash flows from current activities

Management has been working on a number of projects to improve the business model and minimise expenses.

- a) The main project has been to establish external sales agencies, whereby all product sales and technical support would move to external agencies. The first of these was announced on 22 August 2016;
- b) Management is also pursuing better financing rates to lower the Company's cost of financing; and
- c) As the acquisition of the WolfStrike group is now complete, management is reviewing business-operating expenses for any savings available.



Mr. Ian Bailey
Managing Director

Dated: 31st Day of August 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2016

	Notes	2016 \$	2015 \$
Revenue from operations		1,216,258	-
Other Income		157,080	173,796
Total revenue from operations		1,373,338	173,796
Cost of sales		(937,120)	-
Gross Profit		436,218	173,796
Sales and marketing related expenses		(483,381)	-
Administrative related expenses		(429,030)	(432,736)
Other operating expenses		(582,797)	-
Amortisation of intangibles		(166,296)	-
Depreciation		(71,080)	-
Loss before financing costs, transaction expenses and taxes		(1,296,366)	(258,940)
Transaction costs associated with the WolfStrike Acquisition	2	(10,039,750)	(645,653)
Impairment of goodwill		(1,072,734)	-
Net financing costs		(223,235)	(99,320)
Net Loss before income tax expense		(12,632,085)	(1,003,913)
Income tax expense		-	-
Loss for the period		(12,632,085)	(1,003,913)
Other Comprehensive Income			
Foreign currency translation		53,632	-
Total Comprehensive loss for the period		(12,578,453)	(1,003,913)

Loss per share attributable to the ordinary equity holders of the Group:		2016 cents	2015 cents
Basic loss per share (Cents)	4	(5.49)	(1.59)
Diluted loss per share (Cents)	4	(5.49)	(1.59)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2016

	Notes	2016 \$	2015 \$
Current Assets			
Cash and cash equivalents		796,198	654,570
Finance Lease receivable		2,303,490	-
Other receivables		77,658	83,019
Inventories		1,024,389	-
Other assets		101,777	60,000
Total current assets		4,303,512	797,589
Non-current assets			
Finance lease receivable		4,095,094	-
Plant and equipment		216,905	-
Intangible assets		5,670,054	-
Total non-current assets		9,982,053	-
Total assets		14,285,565	797,589
Current Liabilities			
Trade and other payables		954,166	92,719
Convertible notes		-	2,099,302
Interest bearing borrowings		4,627,877	-
Other loans		1,072,228	-
Provisions		365,747	-
Total current liabilities		7,020,018	2,192,021
Non-current Liabilities			
Interest bearing borrowings		5,089,739	-
Total non-current liabilities		5,089,739	-
Total liabilities		12,109,757	2,192,021
Net assets / (liabilities)		2,175,808	(1,394,432)
Equity			
Issued Capital	5	20,715,990	5,217,297
Reserves		703,632	-
Accumulated losses		(19,243,814)	(6,611,729)
Total equity		2,175,808	(1,394,432)

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2016

	Notes	Share Capital \$	Accumulated losses \$	Options reserve \$	Foreign currency translation reserve \$	Total \$
Balance as at 1 July 2015		5,162,554	(5,607,816)	-	-	(445,262)
Loss for the period		-	(1,003,913)	-	-	(1,003,913)
Total comprehensive loss for the year		-	(1,003,913)	-	-	(1,003,913)
<i>Transactions with owners in their capacity as owners:</i>						
Issue of shares for performance of services		54,743	-	-	-	54,743
Balance as at 30 June 2015		5,217,297	(6,611,729)	-	-	(1,394,432)
Loss for the period		-	(12,632,085)	-	-	(12,632,085)
Foreign currency translation for the period		-	-	-	53,632	53,632
Total comprehensive loss for the period		-	(12,632,085)	-	53,632	(12,578,453)
Options issued during the year		-	-	650,000	-	650,000
<i>Transactions with owners in their capacity as owners:</i>						
Issue of shares to promoters and advertisers		1,000,000	-	-	-	1,000,000
Issue of Shares Issued Pursuant to Prospectus Capital Raising		2,000,000	-	-	-	2,000,000
Issue of Shares to WolfStrike Vendors		8,086,580	-	-	-	8,086,580
Issue of shares to convertible noteholders		5,000,000	-	-	-	5,000,000
Costs of share issues		(587,887)	-	-	-	(587,887)
Balance as at 30 June 2016		20,715,990	(19,243,814)	650,000	53,632	2,175,808

The accompanying notes form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 30 June 2016

	2016 \$	2015 \$
<i>Cash flows from operating activities</i>		
Receipts from Customers	1,193,229	-
Payments to suppliers and employees	(3,210,625)	(1,346,286)
Net cash flows used in operating activities	(2,017,396)	(1,346,286)
<i>Cash flows related to investing activities</i>		
Net cash acquired from the acquisition of WRS and WDL	261,062	-
Purchase of plant and equipment	(11,376)	-
Net cash flows provided by investing activities	249,686	-
<i>Cash flows related to financing activities</i>		
Proceeds from Convertible Notes	-	2,000,000
Proceeds from the issue of new shares	2,000,000	-
Costs of capital raising	(587,887)	-
Proceeds from Borrowings	491,447	-
Net cash flows provided by financing activities	1,903,560	2,000,000
Net increase in cash and cash equivalents	135,850	653,714
Cash and cash equivalents at the beginning of the year	654,570	856
Impact of foreign exchange	5,778	-
Cash and cash equivalents at the end of the year	796,198	654,570

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

Note 1. Statement of Significant Accounting Policies

The Financial Report of WolfStrike Rentals Group Limited and its controlled entities (the “Group”) for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the Directors on 31 August 2016.

These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of WolfStrike and its controlled entities.

Basis of Preparation

WolfStrike is a for-profit entity for the purpose of preparing the financial statements.

The financial report has been prepared on an accruals basis and is based on historical costs applying the going concern basis of accounting. Accounting policies are selected and applied in a manner, which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Note 2. Acquisition of Subsidiaries

On 18 March 2016, WolfStrike Rentals Group Limited completed the acquisition of the WolfStrike group of companies as set out in the Prospectus dated 24 December 2015. Under the business acquisition, WSG acquired 100% issued capital of the following entities:

- WolfStrike Distributors Limited
- WolfStrike Rental Services Limited
- WolfStrike Distributors Pty Limited

The acquisition of WolfStrike Distributors Limited by WolfStrike Rentals Group Limited was completed under *AASB 2 Share Based Payments* as the legal acquirer as WolfStrike Rentals Group Limited, did not meet the definition of a business. Following this transaction, the consolidated entity comprising WolfStrike Rentals Group Limited and WolfStrike Distributors Limited acquired WolfStrike Rentals Services Limited and WolfStrike Distributors Pty Limited under *AASB 3 Business Combinations*. These acquisitions gave rise to Goodwill of \$1,072,734. This Goodwill has been fully impaired at 30 June 2016.

The acquisition consisted of the issue of 404,329,000 fully paid ordinary shares in the parent company, being offered to the vendors. This resulted in a value of \$8,086,580 being attributed to the acquisition when the share price is valued at \$0.02 per share being the price funds were raised pursuant to the Prospectus at the same time the acquisition was completed.

Notes to the Financial Statements

A reconciliation of the costs associated with the transaction is noted below:

	2016
	\$
Fair value acquisition adjustment (A)	4,938,820
Redemption of convertible note	3,430,369
Cost of issuing options and promoter shares	1,000,000
Consulting and accounting fees associated with the transaction	670,561
Total transaction costs	10,039,750

(A) The fair value adjustment is calculated as follows:-

- (i) the cost of issuing 404,329,000 ordinary shares at 2 cents per share totalling \$8,086,580;
- (ii) charges on acquisition to intangible assets, trade receivables, inventories, loans and provisions of \$2,688,590;
- (iii) less the value of the WRS customer list at \$5,836,350 at acquisition date.

Note 3. Dividend

During the year ended 30 June 2016, the Group did not declare a dividend. No dividends were paid for the previous reporting period.

Note 4. Loss per Share

	2016	2015
	cents	cents
(a) Basic / diluted loss per share	(5.49)	(1.59)
(b) Reconciliation of earnings to loss		
Loss used to calculate basic / diluted loss per share	(12,578,453)	(1,003,913)
	No.	No.
(c) Weighted average number of ordinary shares outstanding during the year used in calculating basic /diluted loss per share	229,178,674	63,163,636

Notes to the Financial Statements

Note 5. Contributed Equity

	2016		2015	
	\$		\$	
Ordinary shares	20,715,990		5,217,297	

	Full year to 2016		Full year to 2015	
	No.	\$	No.	\$
Ordinary shares – Fully paid				
Balance at the beginning of the year	38,446,340	5,217,297	70,703,461	5,162,554
Issue of shares for performance of services	-	-	5,000,000	39,300
Issue of shares to promoters and advertisers	50,000,000	1,000,000	-	-
Consolidation of shares 1:2	-	-	(37,851,701)	-
Issue of shares for performance of services (post consolidation)	-	-	594,580	15,443
Issue of Shares Issued Pursuant to Prospectus Capital Raising	100,000,000	2,000,000	-	-
Issue of Shares to WolfStrike Vendors	404,329,000	8,086,580	-	-
Issue of shares to convertible noteholders	250,000,000	5,000,000	-	-
Costs of share issues	-	(587,887)	-	-
Balance at the end of the year	842,775,340	20,715,990	38,446,340	5,217,297

Note 6. Events occurring after the reporting date

Other than the matters discussed below, there has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect the operations of the consolidated entity, the results of these operations or the state of affairs of the consolidated entity in subsequent years.

- a) On 29 July 2016 a dispute between WSG and its subsidiaries and Familia Nominees Pty Ltd that commenced in May 2016 was settled. Whilst the terms of settlement are subject to confidentiality, the settlement involved WSG paying Familia Nominees Pty Ltd the principle amount of its debt, being \$420,000 and an obligation to make small monthly payments to Familia Nominees Pty Ltd for the twelve months ending August 2017.
- b) On 22 August 2016, the company announced an external sales agency strategy for its business operations, whereby all product sales would move to an external agency model. This move relieves WSG of capital requirements in regard to inventory, sales and technical staff, ongoing development and other working capital requirements. As part of this model, WSG entered into an agreement with a new entity, EFTPOS Warehouse Limited, to become a master agent. Pursuant to this agreement, EFTPOS Warehouse is responsible for the technical support of all current WolfStrike customers. EFTPOS Warehouse has also purchased all inventory held by WolfStrike (including the inventory located at customers' premises). The purchase price is \$2.2m and the form of consideration will be via EFTPOS Warehouse taking over

Notes to the Financial Statements

WolfStrike's current stock loans of \$1.85m and creditor payments of \$350,000. The impact on WolfStrike is a material reduction in debt as well as a reduction in operating costs going forward.

- c) On 30 August 2016, the Company announced that it has raised \$ 1.56 million through a series of Convertible Loans. The general terms of the Convertible Loans are an unsecured, 2 year loan at 10.5% interest, payable monthly in arrears, convertible to fully paid shares based on a 20% discount to the 30 day VWAP, redeemable by the investor only after 12 months have elapsed, or converted at the option of the company in the event of a major transaction. The offer includes an option on the basis of 1 option at \$0.02 exercise price, within 24 months, for each \$2 invested. The conversion of these convertible loans and the issue of options are subject to shareholder approval.
- d) On 1 July 2016, WSG purchased 100% of the issued shares in the Australian company WolfStrike Rental Services Pty Limited ("WRSPL") for the sum of \$1.00. WRSPL was previously 100% owned by Riverhorse Trustee Limited, a related party to Ian Bailey. The assets of WRSPL are primarily a small rental book of contracts all of which are located in Australia. The liabilities of WRSPL primarily are debt owing to FE Investments Ltd for the funding of the rent book and employee entitlements of the Australian general manager of WolfStrike in Australia.

Note 7. Audit

These accounts are currently in the process of being audited. An Annual Report containing the audit report shall be provided in due course.