



ASX Announcement

ASX code: SP1

October 31st, 2016

Commentary on appendix 4C – Quarterly financial report

The Board of Search Party Group Ltd (ASX:SP1 – “Search Party” or the “Company”) is pleased to provide the following commentary around the September 2016 Quarterly report.

As reported in the ASX announcement dated 13 October 2016 “Strong Q3 Growth, Forecast Exceeded”, the quarter was a record one on a number of fronts with the following financial highlights.

Summary

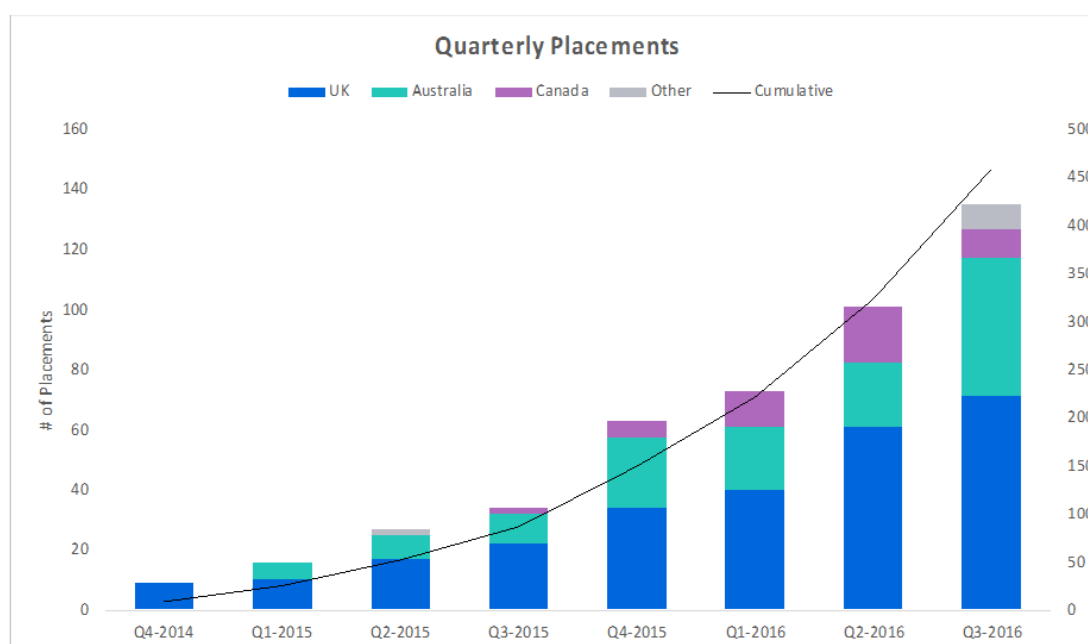
- \$349k gross cash receipts (+50% on Q2)
- 135 placements for the quarter, up 34% on Q2 and exceeding guidance of 126 including the 8 placements made outside of core markets (USA, Channel Islands, Portugal)
- The Company’s medium term liquidity position was reinforced by arrangement of a fully underwritten bonus option issue to all shareholders to raise \$4m by Feb 28, 2017 at \$0.10 per share underwritten by a company associated with Chairman, Trevor Loewensohn and supported by pre-commitments from major shareholder and consultant to the company, Josh Rogers
- The overall liquidity position of the Company including the underwritten options and an expected \$1.3m R&D receipt is \$8.46m as at 30 September 2016
- We are pleased to say also that the Company’s holding of Sovereign Gold Limited was sold at its carrying value of \$322k

Full reporting quarter for both Search Party Group Limited and The Search Party Limited

This document discusses the September quarter (Q3) performance for the consolidated group reporting for all entities from July 1, 2016 to 30 September, 2016 notwithstanding the formal acquisition of The Search Party Limited by the Company and subsequent relisting did not occur until August 17, 2016. Directors believe this approach provides a fully transparent view of the operation of the business as a whole and is the appropriate reference point for analysis of the business going forward.

Business performance and operating cash flows

The key driver of our growth is the progress continued to be made in placements as shown in the graph below:



- Cash receipts from customers total \$349k. This number is different to the “gross revenue” of \$460m for the quarter referenced in the 13 October 2016 announcement which represents the recruitment fees invoiced in the quarter based on transactions that have closed in the quarter (and is exclusive of GST) and accounted for on an accruals basis.
- Search Party payment terms are “lesser of placement date plus 14 days or start date” and may also include split payments when 30, 60 or 90 day guarantee terms are agreed between recruiters and employers.
- Payments to recruiters during the quarter totalled \$282k or 81% of the cash fees received. Search Party net revenue is typically 20% of the gross fees and the 1% difference is related to minor working capital timing differences.
- The Company participates in the Australian Government’s Research and Development Grant Program and is expecting \$1.3m rebate for 2016 in the coming weeks. Expenditures claimed under the grant program relate primarily to product development and technical build and testing. These comprise a component of the “product manufacturing and operating costs” and “staff costs” categories of the Appendix 4C and are not shown in “research and development” for consistency and clarity. To give an indication of the % of expenses claimed in R&D for the full 2016 financial year, 32% (or \$2.9m) of the Group’s total expenditures of \$9.2m was eligible to be treated as R&D activities and claimed under the program. The company expects to continue to participate in the program at similar scale in the 2017 financial year.
- Total net cash used in operating activities was \$2.989m for the quarter. The majority of this expenditure was on product development (staff costs in the technology, data science and product teams) and supporting costs. The Company continues to refine the marketplace platform improving recruiter and employer engagement and ultimately driving greater volume through, and utilisation of, the platform. The

Company has continued with a steady but relatively modest sales and marketing spend during this quarter.

Cashflow from investing activities

- The Company's holdings of Sovereign Gold Limited and Dapper Apps Pty Ltd were sold during the quarter netting \$342k.

Cashflow from financing activities

- The Company completed the prospectus raising of \$3.7m during the quarter.
- Expenses of \$275k in relation to the raising and related costs of the acquisition were also paid during the quarter.
- The Company also received an advance of the R&D rebate of \$225k and repaid this advance during the quarter. Given the Company's participation in the Government's R&D program, it is able to draw on advances against the likely receivable from the Government during the year as the expected receivable accrues. The Company has no drawings at this time but retains this flexibility in the future to enter into a further advance agreement with R&D lenders. Subject to the lenders' terms, the Company can typically draw up to 80% of the expected rebate against eligible expenses throughout the year.

Estimated cash flow for December quarter

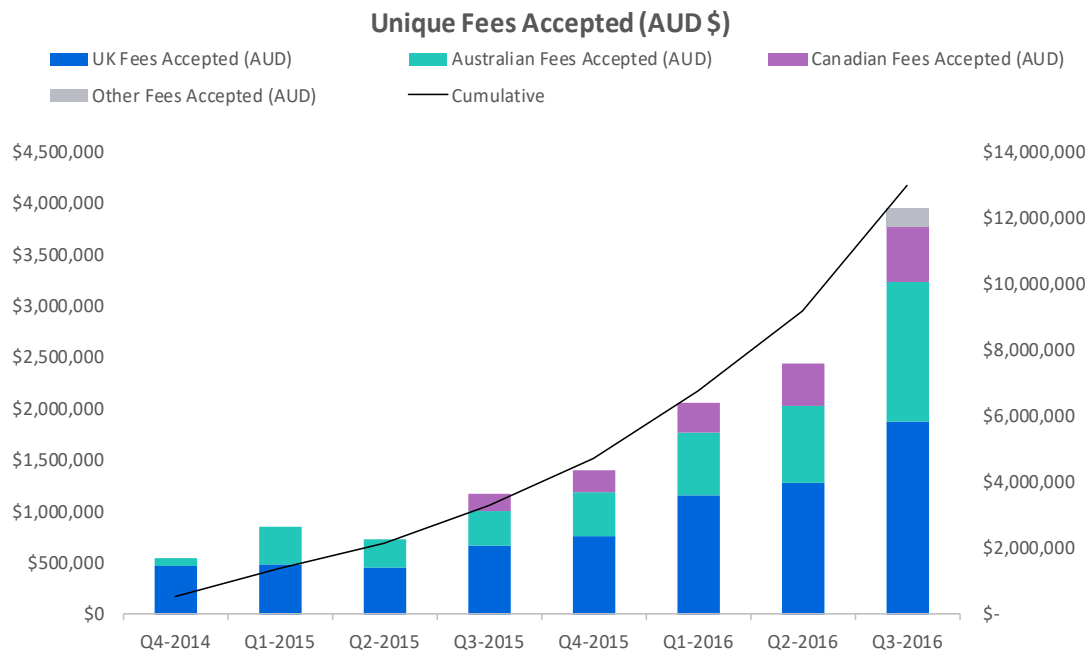
- Estimated quarterly net cash spend before revenues to end of December, 2016 is \$3.2m which incorporates base plan spending plus accelerated spend plans around product development and sales & marketing to capitalise on the strong growth seen on the platform to date and in preparation for the USA and Asian expansion.
- Moving into early 2017 we will only continue with a higher development and sales & marketing spend off a core expenditure base of circa \$400-600k if the operating results and related revenue continue to progress in line with our expectations.
- As always, the Board reviews all operating and development expenditures in the context of business performance, general availability of capital for growth and ongoing operations, progress in establishment of capital or operational alliances with partners around USA and Asian expansion and will make appropriate adjustments as required.

Liquidity position

The Company has an overall liquidity position of approximately \$8.46m as at end September 2016 comprising:

○ Cash at bank as at 30 September	\$3.04m
○ Expected R&D receipt	\$1.32m (expected within the month)
○ Underwritten bonus option issue	\$4.00m (by end Feb 2017)
○ Surplus assets available for sale	<u>\$0.10m</u>
	\$8.46m

Management and the Board is focussed on the liquidity position of the business in the context of business performance and the benefits of any planned expenditure. When considering the future performance of the Company and its capital position, Management is further bolstered by the continued strong growth of roles with agreed fees between recruiters and employers as shown in the graph below.



Platform enhancements will allow a greater proportion of this growing measure of platform use and marketplace liquidity to be converted to placements and revenue.

About Search Party

Search Party Group Ltd (ASX:SP1) is a recruitment services marketplace that connects employers and recruiters to make hiring faster, easier and more effective. Search Party has offices in Sydney, London and Toronto. It also owns employer branding site, JobAdvisor. For more information, visit thesearchparty.com and jobadvisor.org.

For further Information, please contact:

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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

Search Party Group Limited

ABN

41 139 977 772

Quarter ended ("current quarter")

30 September 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	349	349
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,461)	(1,461)
(c) advertising and marketing	(445)	(445)
(d) leased assets	(6)	(6)
(e) staff costs	(1,383)	(1,383)
(f) administration and corporate costs	(45)	(45)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	7	7
1.5 Interest and other costs of finance paid	(11)	(11)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	6	6
1.9 Net cash from / (used in) operating activities	(2,989)	(2,989)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
(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	342	342
(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)	-	-
2.6 Net cash from / (used in) investing activities	342	342

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	3,723	3,723
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	(275)	(275)
3.5 Proceeds from borrowings	225	225
3.6 Repayment of borrowings	(225)	(225)
3.7 Transaction costs related to loans and borrowings	(14)	(14)
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	3,434	3,434

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	2,263	2,263
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,989)	(2,989)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	342	342
4.4 Net cash from / (used in) financing activities (item 3.10 above)	3,434	3,434

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(11)	(11)
4.6	Cash and cash equivalents at end of quarter	3,039	3,039

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	3,039	3,039
5.2	Call deposits	-	-
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)	3,039	3,039

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000

215

-

Directors fees and executive salary

7. Payments to related entities of the entity and their associates

- 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 item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000

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8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	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.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	
9.2 Product manufacturing and operating costs	967
9.3 Advertising and marketing	702
9.4 Leased assets	-
9.5 Staff costs	1,405
9.6 Administration and corporate costs	100
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	3,174

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		
10.5 Nature of business		

Compliance statement

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

Sign here: Date:
(Director/Company secretary)

Print name:

Notes

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