SNAKK MEDIA LIMITED

CHAIR'S ADDRESS AGM SEPTEMBER 2018

Following a period of re-structuring in FY17 and the first half of FY18 to significantly reduce the cost base to a sustainable level whilst maintaining sales and delivery capability, the focus has been to stabilise the business and position it to maximise revenue.

At the same time the board and management have continued to carefully manage the working capital and explore capital options.

Along with the difficult and challenging work to re-structure the business, Joel has taken the opportunity to reinvigorate the leadership team in a considered and measured way to strengthen direction over the sales, product development, ad operations and finance functions. Following the re-structure in FY17 and FY18 staff turnover - both voluntary and involuntary - has been low in FY19.

The digital media and advertising sector is undergoing rapid and major structural changes. Some of the consequences are changes in demand for products, short markets, and revenue volatility.

Google and Facebook continue to have the dominant market share of digital advertising. Google and Facebook offer digital ads that are substitutes for the specialist mobile advertising products Snakk offers. Snakk also faces strong global competitors in the precision GPS based geo-location advertising sector that Snakk mainly participates in.

With the use of programmatic trading growing and transparency of digital advertising, ad agencies are under increasing pressure to provide value added services to their advertising customers and to maintain their revenue and margins.

For those reasons, Snakk is diversifying the product range to continue to offer competitive products to its ad agency customer base and to offer those and other products to different customers.

One such example is to offer the Snakk Audience platform on a programmatic self-service basis to the internal trading desks of agencies and, potentially, to advertisers.

Snakk is also diversifying beyond the core GPS based geo-location in-app advertising product that is offered on a managed and self-service basis.

- A range of digital products suitable for mobile advertising are being introduced such as performance products, enriched audience reporting and video

- Data products and services. Consumer information based on mobile device usage is a unique data source. Snakk is seeking to exploit that unique source by marketing the data itself and on a revenue share basis if customers use the data to activate digital advertising campaigns

Despite the immense amount of effort to re-structure the business and to develop and introduce new products the low working capital places considerable pressure on the business including the ability to:

- Fully develop, source and introduce products in a timely manner
- Develop other channels, such as direct to brand
- Undertake marketing and promotional activity

And

- Requires the continuing attention of executive management and the board and takes away from value adding activities
- Limits Snakk's ability to absorb revenue volatility or to cope with lower revenues whilst adjusting to changing customer demands

As you would be aware in June 2017, the NZX announced it was commencing a formal consultation process to review the structure of NZX's current equity markets. Following the consultation process the NZX has confirmed it intends to consolidate the NZX Main Board, NZAX and the NXT Market into a single board. The NZX will be introducing transition provisions but at this stage those provisions are not confirmed. The latest information is the transition is to be complete by July 2019.

Our legal advisors Chapman Tripp commented in their "Trends and Insights" report in February 2018 on the NZ Equity Capital Markets:

> “We [Chapman Tripp] strongly support this approach, as the NZAX and NXT Market have not delivered the expected benefits to issuers, investors or New Zealand capital markets in general.”

Snakk concurs with the intention of the NZX to consolidate the markets. Like CT, in our view the NXT Market has failed to deliver the expected benefits for small cap companies such as Snakk Media, whilst still requiring Snakk to incur significant costs and management resources for a company of our size to meet the regulatory requirements. Particularly disappointing has been the lack of market visibility and liquidity. Even small changes in parcels of shares has a marked impact on the share price. The Board is considering all options to manage the transition.

In light of the business environment and the company’s operational pressures, your directors have determined it is prudent to make a share placement to provide additional working capital to the company. The intent is to place up to 20% of the Company's issued capital.

END OF ADDRESS