

TSN OPERATIONS UPDATE

Highlights

- Half yearly revenue growth profile continues upward
- Favourable regulatory guidelines increases existing and new business prospects
- Increased debit card issuance
- Higher demand for Indian ATM placements

The Directors of Transaction Solutions International Ltd (“TSN”) are pleased to provide the following operations update.

Continued growth in revenue and transaction volumes

TSI India has continued its upward trend in both revenues and transaction volumes.

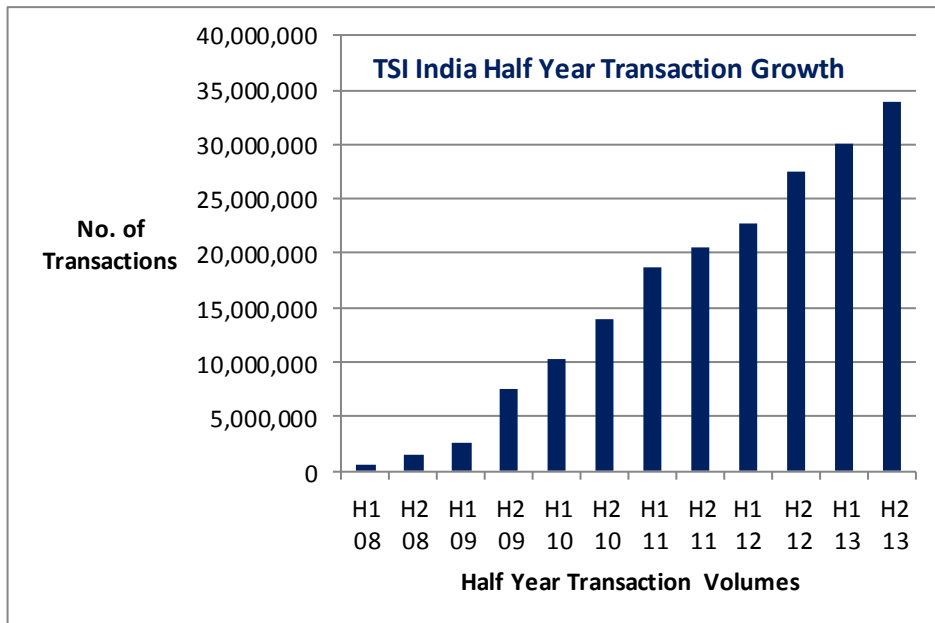
In the last 6 months, management has focused on the following key strategies to enhance performance and implemented improvements where possible:

1. Review of ATM network performance – relocating low performing ATMs to more favourable sites;
2. Review and renegotiate existing contracts to increase fees per transaction; and
3. Review and renegotiate existing contracts to reduce operating expenses.

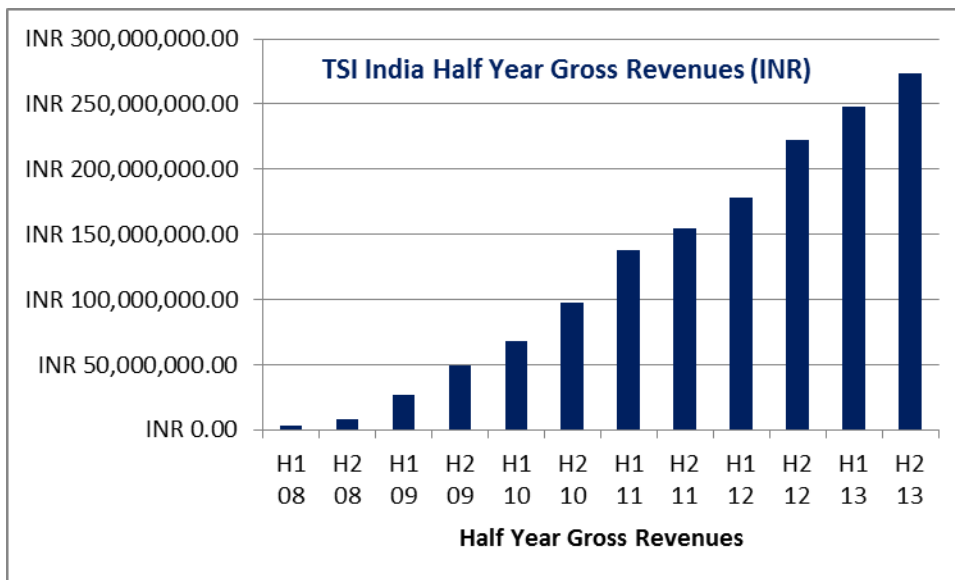
The above focus areas are ongoing. Management has successfully renegotiated some of its major contracts, which has assisted with an increase in revenues and improved margins over the few last months.

Inflation in India is still a key area of economic focus for the country and TSI operations. Whilst inflation has moderated in the last three months, it is still running above 6% as recorded in August 2013, reported by the Indian Ministry of Commerce.

As indicated in the charts below, both transaction and revenues continue to grow strongly, further supported by another increase in revenues of 4.5% for the month of July 2013 over June 2013.



Source: TSI India



Source: TSI India

Favourable regulatory guidelines increases prospects – RBI pushes Financial Inclusion

It is estimated the majority of India's 650,000 villages do not currently have a bank branch. According to a 2011 World Bank survey, only 3.5 out of every 10 Indian's have access to formal banking services in India. Hence the Reserve Bank of India (RBI) has created policy to support banking services for all Indians, meaning the expansion of bank branches, financial cards and e-payment systems. This positions TSI India perfectly to participate in this significant growth.

RBI supporting a drive on ATM expansion

Recently, the Indian Finance Ministry announced that all public sector banks must have at least one ATM in each branch before March 2014.

Inaugurating the 5,999th branch of Punjab National Bank (a TSI India bank customer), Chief Minister Chidambaran advised that “*orders had been issued to all nationalised banks to implement this program by the due date.*” The minister also asked banks to increase their branch networks by 8,000 branches in country regions. It is estimated (no official figures available) there are approximately 100,000 branches in India with less than 50% having any ATM service.

RBI is also encouraging new institutions to apply for bank licenses to increase competition and expand the Indian banking market. This has the potential to provide TSI India with more banking clients requiring the company’s experience in building and managing ATM networks.

RBI supporting a drive on financial cards for new bank customer entrants

In January 2013, the Government of India introduced a direct benefit transfer scheme to assist Indians with receiving benefits and provide a “soft” entry into the banking system.

The scheme pays government benefits to Indians such as national child labour projects, student scholarships, pensions and electricity subsidies through traditional banking channels. To receive subsidies you must have a bank account. Since January 1, the Indian government has transferred over AU\$87 million in benefits to 9 million new and existing bank accounts.

Strong bank debit card growth

Bank debit card issuance is growing at 18% per annum according to a recent study by Assocham (Feb 2103). By 2015 it is expected that 540 million bank customers will have been issued a debit card, up from today’s estimate of 310 million, a 42.5% increase in three years.

Credit cards in India are expected to remain flat at 18.8 million cards, as people prefer debit and cash in hand due to high interest costs on credit cards and excessive penalty fees for late payment.

In conclusion the Assocham study pointed out that “*debit cards are performing the role of bank cashiers, through ATMs, reduced crowding in bank branches and provided convenience of any-time, round the clock banking to customers through the use of Automatic Teller Machines.*”

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About Transaction Solutions International (India)

Founded in 2005, TSI India's business is a rapidly growing bank ATM deployment and E-transaction financial services business based in India. Operational in India since 2006 the company now has in excess of 1,100 ATMs fully operational and generating revenue. It has further contracts to allow deployment for up to a further 700 ATMs.

The company's business model is to build recurring revenue through the deployment of ATMs as well as service the financial payments sector through automation of bill payment processes, in a market that is migrating from paper based to electronic transactions.

TSI India owns, manages and operates its financial hardware and systems, in return for a fee per transaction. This recurring revenue model assists TSI India in producing a business model that is highly scalable.

TSI India has agreements with a number of national companies including major banks, utilities and corporates. It is these corporations (not consumers) who form TSI's customer base, and from who TSI receives its revenues.

Supported by the strong infrastructure and business platform built over the last 6 years and a leading market reputation, the business is now scalable by the installation of new ATM's and building on the recently introduced bill payments capability. Barriers to entry in the sector are high with regulatory and banking approvals required. TSI India has successfully overcome those barriers, as reflected in its growth profile and the increasing demand for its ATM outsourced business.