

**Commentary for the quarter ending 31 December 2016**

**Operations**

Activistic Limited (“Activistic” or the “Company”) is pleased to comment on its key achievements during the December quarter. The Company continues to increase its partner base in the US market, successfully signing two additional leading charities, advancing into the political sector, and developing and launching a web-based fundraising tool. Highlights from the December quarter include:

- ✓ Contract signed with US Congressman Joe Garcia’s campaign to create a fundraising app for the 2016 US election. The app has been delivered and was the first U.S. white label fundraising app created by Activistic.
- ✓ Partnership agreement signed with Music for Relief, a non-for profit organisation founded in 2005 by the Linkin Park band. Activistic has since developed and launched a fully branded mobile application using its proprietary mobile technology and services platform whilst Music for Relief has committed to using its brand and reach to promote the app and generate donations.
- ✓ Agreement signed with Fisher House Foundation to join Veterans Call. Fisher House is one of the top U.S. military and veterans charities and since inception it has saved 277,000 military and veteran’s families an estimated \$320 million in out of pocket costs for lodging and transportation. Fisher House declared over \$50 million in 2015 revenue, and the Veterans Call app will assist in generating further donation revenue.
- ✓ Activistic has been selected to Google’s elite Business Partner Program. The company was one of only ten entities selected globally for the scheme. The exclusive program runs quarterly and offers no-cost, personalised, one-to-one guidance for a handful of business which Google deem capable of high growth activity.
- ✓ A pipeline of continuing opportunities with major US national and international charities for the development of white label products as well as late stage discussions in the entertainment vertical with progress towards a white label solution following Activistic’s partnership with Music for Relief.
- ✓ Development and delivery of DonateMate, Activistic’s patent pending trademark. DonateMate is a revolutionary web-based fundraising tool which uses Activistic’s recurring donations method and can be easily added to any apps or websites at minimum or no costs.
- ✓ Deployment of DonateMate onto current partners’ digital assets in the US and UK to widen the touchpoints for donors to engage and donate using the Activistic platform.

**Finance and cash management**

Operating expenditure during the quarter of \$1.39 million was focused on scaling up activities in the U.S, development of new apps and products, and completion of the Activistic Apps Platform. Legal and professional fees concerning the takeover offer of Plus Connect have also contributed to the overall increase in operating expenditure.

The table below details the non-recurring expenses incurred during the quarter:

<b>Activity</b>	<b>Cost (\$)</b>
Plus Connect Takeover – legal and professional fees	65,079
Apps and platform development	179,875
Event-driven marketing campaign	68,883
Other non-recurring marketing costs	94,513
<b>Total non-recurring payments:</b>	<b>408,350</b>

The company has been very successful in securing quality and potentially high-value partners in the US however that has not translated into significant donor registrations and recurring revenues. A strategic review is underway to identify how to best monetise the value we have created in the market in a cost-effective manner. The strategic review will be completed by the end of February 2017.

During the quarter, the Board of Directors conducted a review of all costs and implemented a cost reduction programme in order to reduce expenditure on non-critical areas of the business while the strategic review is completed and recommendations implemented.

Although the December quarter included particularly high, once-off development and marketing costs and expenses related to the takeover of Plus Connect, the Board is very mindful of the operating costs of the business and the need for capital preservation.

All expense lines for Activistic and Plus Connect have been thoroughly reviewed and where possible trimmed or eliminated, including external advisers, full-time employees, Directors, and other service providers.

As part of the cost reduction initiatives, the Directors have agreed to defer payment of their fees during the March quarter 2017. To further preserve cash, deferred Director's fees may be settled by the issue of securities at some future point in time, subject to shareholder approval.

These measures have already resulted in significant savings and, combined with the strategic review currently underway, will ensure the Company operates in a systematic and cost-effective manner.

#### **Plus Connect Takeover Offer**

During the December quarter Activistic continued to progress towards completing its off-market takeover offer for Plus Connect. A Bidder's Statement was lodged with ASIC on 17 November 2016. The Offer closed on 13 January 2017 with Activistic acquiring a relevant interest in 95.4% of Plus Connect's fully paid, ordinary shares.

The Company has consequently lodged and sent compulsory acquisition notices to acquire all remaining Plus Connect Shares not accepted into the takeover bid in accordance with the Corporations Act. Upon completion of this process, Plus Connect will become a wholly owned subsidiary of Activistic.

Plus Connect has continued to further enhance its existing charity product, the Weather Lottery, which has received strong support from its charity partners. This product is compliant with the Association of Charitable Lotteries (EU) guidelines, in support of Australian charities. The Postcode Lottery in Europe is evidence of the incredible value of this business model, being the third largest private donor to charities globally.

Plus Connect has also delivered an exclusive partnership agreement with Collingwood Football Club to bring online sports lotteries to Australia. Lotteries have been successfully used as a key funding instrument by sporting organisations and clubs internationally.

Under the partnership agreement, the parties will deliver a sports lottery-style product initially for Collingwood – Magpie Millions, and subsequently other AFL clubs and sporting codes. There has been strong interest and Plus Connect is in advanced discussions with other major AFL teams.

Plus Connect continues to advance several other major opportunities both in Australia and internationally.

#### **Corporate**

Following the December quarter and as announced on 20 January 2017, Mr Paul Crossin has been appointed as an Executive Director of Activistic. Mr Crossin has been involved in the gambling and lotteries industry for over 20 years and has applied his gaming knowledge as a specialist consultant assisting companies to establish gambling business units, including The Federal Group, TAB Limited and Manaccomm Corporation.

## 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**

Activistic Limited

**ABN**

27 007 701 715

**Quarter ended ("current quarter")**

31 December 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) research and development	(243)	(635)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(295)	(970)
(d) leased assets	-	-
(e) staff costs	(361)	(710)
(f) administration and corporate costs	(495)	(830)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	8
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	102
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,391)</b>	<b>(3,035)</b>

<b>2. Cash flows from investing activities</b>		
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 (6 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	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	(350)	(600)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	<b>Net cash from / (used in) investing activities</b>	<b>(350)</b>	<b>(600)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	3,560
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	(17)	(227)
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	<b>Net cash from / (used in) financing activities</b>	<b>(17)</b>	<b>3,333</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	2,875	1,449
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,391)	(3,035)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(350)	(600)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(17)	3,333

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	8	(22)
4.6	<b>Cash and cash equivalents at end of quarter</b>	<b>1,125</b>	<b>1,125</b>

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	417	383
5.2	Call deposits	708	2,492
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,125</b>	<b>2,875</b>

**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
(93)
-

6.1 consists of Director's Fees.

**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
-
-

## Quarterly report for entities subject to Listing Rule 4.7B

8.	Financing facilities available	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
	Add notes as necessary for an understanding of the position		
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.		

9.	<b>Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1	Research and development	(40)
9.2	Product manufacturing and operating costs	-
9.3	Advertising and marketing	(180)
9.4	Leased assets	-
9.5	Staff costs	(380)
9.6	Administration and corporate costs	(410)
9.7	Other (provide details if material)	-
9.8	<b>Total estimated cash outflows</b>	<b>(1,010)</b>

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

### 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: .....  
(Company secretary)

Date: 31 January 2017

Print name: Ramon Soares

### 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.