

28 July 2017

## ACTIVITIES REPORT AND APPENDIX 4C FOR QUARTER ENDED 30 JUNE 2017

### Highlights:

- Key technological advances made to bolster and leverage the Company's core artificial intelligence system (AIS)
- Updates and additions to OpenDNA's proprietary technology reinforce the Company's unique selling proposition (USP) and broaden appeal and utility to a range of industries
- Penetration into key new market sectors, including mobile telephone handsets, food & beverage and luxury goods
- Substantial work undertaken in relation to development and conversion of potential customer pipeline, with signature of additional customer agreements expected imminently

Leading artificial intelligence company OpenDNA Limited (ASX: OPN) ("**OpenDNA**" or the "**Company**") is pleased to provide shareholders with the Company's quarterly activities report and Appendix 4C for the quarter ended 30 June 2017.

### Key technology advances

During the Quarter, the Company's activities were focused primarily on unlocking the potential of its core artificial intelligence and machine learning technology in order to demonstrate its practical benefit across a range of customer industries. Given the cutting-edge nature of the Company's technology, it is critical for OpenDNA's business model and monetization strategy that the Company is able to demonstrate to customers the practical benefits that its technology can provide to their businesses, whether in terms of customer engagement, retention or increased revenue generation.

In this regard, during the Quarter OpenDNA's technical team pioneered the development of a number of innovations designed to augment the capabilities and usefulness of the Company's core AIS. The results of that work were seen post-Quarter, with the announcement during July 2017 of the release of OpenDNA's enhanced Jottr "smart app" and its proprietary IRIS web content extraction tool. Technical work is also substantially complete on a suite of "business-ready" tools which the Company is confident will further strengthen its appeal to potential customers and which are expected to be released (and more fully announced to the market) shortly.

# IRIS



## THE PROBLEM

Delivering highly relevant content to a user requires effective analysis to truly understand the content and its context.



## OUR SOLUTION

OpenDNA developed its own in-house extraction tool to stop reliance on 3rd party systems to analyse external content and to increase efficiency in contextualising information. This system is called IRIS



IRIS uses advanced visual recognition and proprietary Optical Character Recognition ("OCR") technology.



IRIS enables automated extraction of relevant page content. It can recognise the key elements of a page and consciously ignore the irrelevant parts (such as advertisements, sidebars, call-outs, image captions etc)



IRIS is an AI-based content examiner which learns like a human does, this means its potential application can be expanded to include any digital content stream.



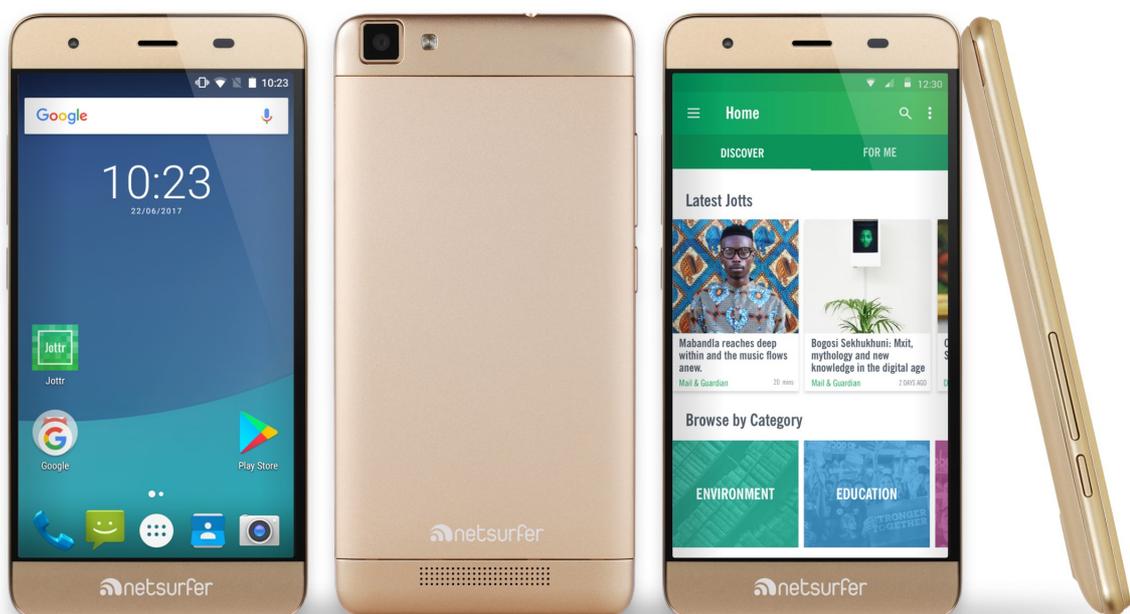
OpenDNA initially introduced IRIS as part of its own technology suite, IRIS now has the potential to be integrated with 3rd party systems.



## New market sectors penetrated

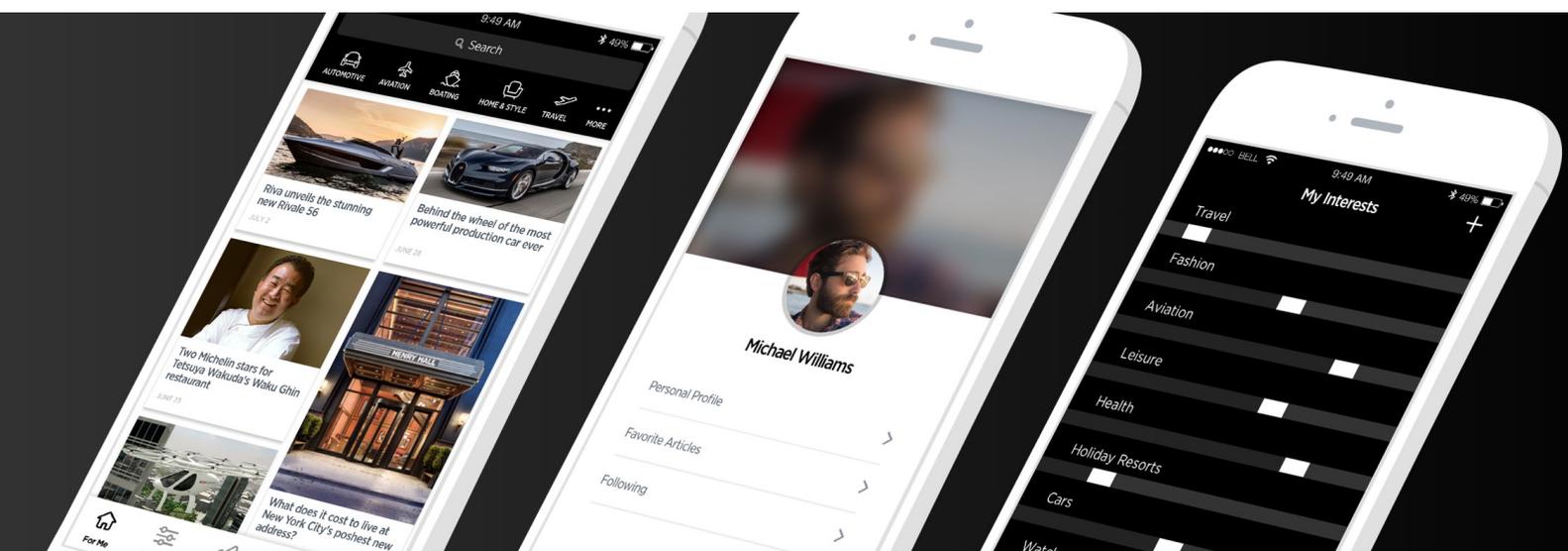
The personalisation and psychographic insights made available by OpenDNA's AIS have the potential to benefit customers operating in a wide range of industries. In this regard, during the Quarter and in the weeks immediately following it the Company announced the signature of, or released products under, customer agreements with the following parties:

- **Future Mobile Technology**, manufacturer of the Netsurfer brand of mobile telephone handset directed predominantly at the African and European markets - pursuant to which it is intended that the Company's Jottr app will be pre-loaded onto new



handsets prior to distribution to their owners, in order to enable the handset to “learn” about that user’s interests and preferences so as to deliver tailored online content to them;

- **Endeavour Drinks Group**, a business unit operated by Woolworths Limited and the owner of the Dan Murphy’s, CellarMasters and BWS liquor retailing brands - pursuant to which the parties will collaborate on the creation of an innovative app whose purpose will be to enable users (with the help of OpenDNA’s personalisation technology) to create a library of liquor products tailored to their interests and reflecting their preferences across a wide range of situations, events and moods; and
- **Robb Report Australia**, publisher of the local edition of respected global luxury goods magazine “RobbReport” - who during the Quarter released an app powered by OpenDNA’s personalisation technology, which delivers curated content to individual users in relation to topics covered by the magazine( including cars, yachts, watches, wines, fashions, hotels and dining).



Each of the above arrangements represents an important development for the Company. The agreements with Endeavour and Robb Report Australia - in each case organisations responsible for leading brands - illustrate the potential appeal of OpenDNA’s AIS and personalisation technology to successful businesses operating in diverse industries. The agreement with Future Mobile Technology is a breakthrough step for the Company in terms of its move into the Android mobile hardware space. Android has more than **2 billion monthly active users**, making it the world’s number one operating system (ahead of Windows) and it dominates the smartphone market with an **87.5% market share** (ahead of Apple).\* Accordingly, demonstration by the Company of the effectiveness of the OpenDNA technology in the Android hardware market has potentially enormous implications for the Company’s future growth.

\* Source: <https://www.theverge.com/2017/5/17/15654454/android-reaches-2-billion-monthly-active-users>; [https://www.digitaltrends.com/mobile/android-operating-system-domination/?utm\\_source](https://www.digitaltrends.com/mobile/android-operating-system-domination/?utm_source)

## Customer pipeline

The Company has developed an extensive pipeline of potential customers and continued during the Quarter to identify and hold discussions with several organisations in that regard. A number of those discussions are ongoing and the Company looks forward to being able to update shareholders imminently in terms of progress regarding new customer arrangements.

## Other developments

Shortly prior to and during the Quarter, the Company's CEO and MD Jay Shah was invited to speak at a number of prominent events to discuss the Company's AIS and the future of artificial intelligence generally. In March, he was a panel member at a 2017 Summit event held by **CASBAA**, the association for the multi-channel audio-visual content creation and distribution industry across Asia, which was held in Singapore. The relevant topic, "*Metrics that Matter*", featured an audience of approximately 500 and focussed on the use of data in the digital ecosystem and implications for content providers and advertisers. More recently, Mr Shah presented to approximately 200 senior employees of **Vodafone** at a London-based "*Deep Dive on Artificial Intelligence and Machine Learning*" session held in early June as part of the Vodafone Innovation Forum.



Subsequent to the end of the Quarter, the Company's CEO and MD Mr Jay Shah completed his permanent relocation to Singapore in line with the Board's strategy and corporate vision for the Company's development. The Board considers that having the CEO and MD based in Singapore will enable better realisation of opportunities existing for the Company in the the Asia-Pacific region, increases the potential for Singaporean innovation-based incentives to be secured by the Company and is likely to offer further benefits in terms of the Company's travel budget and Mr Shah's ongoing ability to service the Australian investment community.

### **AI poised to nearly double annual economic growth rate in Singapore by 2035**

New research from Accenture (NYSE: ACN) reveals that artificial intelligence (AI) could nearly double Singapore's annual economic growth rates by 2035, changing the nature of work and spawning a new relationship between man and machine. The research also found that Singapore is at the forefront to integrate innovation and technologies into the wider economy, ahead of the largest economies in the world such as the United States, Germany, United Kingdom & Japan.

The potential to significantly boost the labour productivity in Singapore will be driven by innovative AI technologies that will enable the workforce to make more efficient use of their time and specialise in what humans do best - create, imagine and innovate.

The report goes onto to further state:

"As Singapore advances its smart nation vision, the adoption of AI will propel economic growth and potentially serve as a powerful remedy for stagnant productivity and labour shortages," said Lee Joon Seong, managing director, ASEAN Accenture Analytics Lead. "The combinational effect of AI, cloud, sophisticated analytics, robotics and other emerging technologies is already starting to change how work is done by humans and machines, and how organisations interact with consumers in startling ways.

Accenture Research , in collaboration with Frontier Economics, modelled the impact of AI in 33 economies that together generate more than 80 percent of the world's economic output. The research compared the size of each country's economy in 2035 in a baseline scenario, which shows expected economic growth under current assumptions, and an AI scenario which shows expected growth once the impact of AI has been absorbed into the economy.

AI was found to yield the largest uplift in economic growth for Singapore, potentially increasing its annual growth rate from 3.2 percent to 5.4 percent by 2035, translating to an additional USD \$215 billion in gross value added (GVA). This is ahead of other large economies such as the United States.

Reference: <https://www.accenture.com/sg-en/company-news-release-artificial-intelligence-poised>

**OpenDNA's Chief Executive Officer and MD, Jay Shah, commented on progress during the Quarter by saying:**

*"OpenDNA is focused on providing the most useful, relevant insights to customers regardless of the industry they operate in and we are working continually to develop ways in which to reinforce the Company's USP for those customers. By understanding how to make our personalization and psychographic insights most useful to customers, and developing new technologies which enhance that usefulness, we are simultaneously improving our offering to current and potential customers alike. In this Quarter we have begun to see the results of the consistent efforts being made by our sales force to secure agreements with customers operating in a range of industries and we look forward to that trend continuing and increasing during the September Quarter".*

**ENDS**

**For further information, please visit the OpenDNA website at [www.opendna.ai](http://www.opendna.ai) or contact:**

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### **About OpenDNA Limited**

**People are not categories. People are individuals.**

To businesses, OpenDNA provides real-time insights into their individual customers' behaviour which allows them to better predict their needs. This enables businesses to deliver a more relevant customer experience at an individual level, which drives increased revenue. OpenDNA's artificial intelligence and machine-learning system automatically creates detailed psychographic user profiles, which helps deliver better business outcomes.

[opendna.ai](http://opendna.ai)

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Registered as: OpenDNA Limited

ACN: 613 410 398

## 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

OpenDNA Limited

## ABN

14 613 410 398

## Quarter ended ("current quarter")

30 June 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	13
1.2 Payments for		
(a) research and development	(444)	(1,326)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	(72)
(d) leased assets	-	-
(e) staff costs	(284)	(998)
(f) administration and corporate costs	(689)	(2,567)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	9	30
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	75
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,408)</b>	<b>(4,845)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
	(a) property, plant and equipment	(34)	(101)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(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	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(34)</b>	<b>(101)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	9,340
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	-	(904)
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)	-	-
	Cash assumed on acquisition of subsidiary	-	267
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>8,703</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
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<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
4.1	Cash and cash equivalents at beginning of quarter/year to date	5,186	-
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,408)	(4,845)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(34)	(101)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	8,703
4.5	Effect of movement in exchange rates on cash held	4	(9)
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>3,748</b>	<b>3,748</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	3,748	5,186
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>3,748</b>	<b>5,186</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

**Current quarter  
\$A'000**

134

-

- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Payments to directors, include Directors fees, Superannuation on Directors fees and Directors remuneration.

**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

**Current quarter  
\$A'000**

49

-

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

Payments totalling \$49,000 were paid to Murcia Pestell Hillard Pty Ltd, a company related to Mr. Grant Pestell, for the provision of legal services and the rental of serviced office space.

+ See chapter 19 for defined terms

1 September 2016

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

N/A

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Research and development	436
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	-
9.4 Leased assets	-
9.5 Staff costs	378
9.6 Administration and corporate costs	623
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>1,437</b>

<b>10. 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	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-

+ See chapter 19 for defined terms

1 September 2016

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10.5 Nature of business	-	-
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### 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: 28 July 2017

(Company secretary)

Print name: Peter Torre

### 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.