



31 January 2019

ACTIVITIES REPORT AND APPENDIX 4C FOR QUARTER ENDED 31 December 2018

Highlights

- **\$2.1m Placement completed to fund acquisitions and provide working capital for business integration and growth**
- **Completion of acquisition of CHOOSE Digital providing OpenDNA with a fully integrated digital marketing capability**
- **Completion of acquisition of RooLife Limited providing facility for Australian businesses to sell online into China and to target Chinese Tourists**
- **Integration of OpenDNA's Artificial Intelligence System with RooLife mobile shopping platform under way**
- **First cash receipts from new business units - \$42k received during the last week of December, a significant increase from cash receipts for the September Quarter**

Artificial Intelligence company OpenDNA Limited (ASX: OPN) ("OpenDNA" or the "Company") provides shareholders with the Company's quarterly activities report and Appendix 4C for the Quarter ended 31 December 2018.

Completion of \$2.1m Placement

As announced on 12 December 2018 and following shareholder approval obtained at the Company's Annual General Meeting ("AGM"), it has successfully completed the second tranche of the placement of securities, via Triple C Consulting, to sophisticated and professional investors ("Placement"), raising \$2,100,000 before costs. The funds will be partly applied to fund the acquisition and to integrate CHOOSE Digital Pty Ltd ("CHOOSE Digital") and RooLife Limited ("RooLife") into the OpenDNA business structure.

The funding will also provide for the integration of OpenDNA's Artificial Intelligence System ("AIS") within RooLife's China-focused e-Commerce systems and CHOOSE Digital's digital marketing solutions. The new structure and additional capital positions the Company to be able to drive revenue growth, to enter the China market and target opportunities across multiple new industry sectors.

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Unit B9, 1st Floor 431 Roberts Rd Subiaco WA 6008

Registered as: OpenDNA Limited

ACN: 613 410 398

Acquisitions of CHOOSE Digital and RooLife

The acquisition of the RooLife and CHOOSE Digital businesses was successfully completed on 21 December 2018 and development work to integrate OpenDNA's AIS commenced immediately following acquisition.

With the integration of the CHOOSE Digital and the RooLife companies, OpenDNA now works with businesses to market their products online and grow brand awareness in Australia and is able to extend the reach to assisting businesses to establish their brand in China, facilitating online sales and providing access to the large and rapidly-growing Chinese market for high-quality Australian consumer goods.

The Company's newly acquired capability will provide Australian businesses with access to Mandarin-language mobile shopping platforms in China and Australia with integrated China-specific mobile payment processing via WeChat or AliPay and enhanced customer intelligence.

With the integration of OpenDNA's AIS, the RooLife e-Commerce platforms will continuously assess and refine the products offered to customers and gather intelligence about its customers' preferences and buying habits.

Additionally, opportunities are being examined for the deployment of the Company's AIS within China, which will potentially open up new sales channels for the Company.

In parallel, OpenDNA undertook due diligence of the Orcoda Hong Kong and Chinese corporate structure during the quarter and continues to assess its fit with the Company's business model.

Board & Management

In line with the completion of the acquisitions of CHOOSE Digital and RooLife Ltd, Mr Warren Barry joined the OpenDNA Board as Executive Sales Director and Mr Bryan Carr was appointed as Chief Executive Officer ("CEO") following the resignation of Mr Jay Shah, who moved to a Non-Executive Director role.

Financial Position

As noted in the attached Appendix 4C, the Company held \$1.8m in cash and cash equivalents as at 31 December 2018, which reflects the Company's position after payment of one-off acquisition costs of \$300k for purchase consideration, due diligence expenses and payment of an exclusive option fee to Orcoda. In addition, the Company incurred expenses of \$165k paid in connection with the capital raising.

Furthermore, all outstanding amounts due to various creditors, who include professional advisors, directors and employees of the Company, were settled in the quarter primarily through the issue of fully paid ordinary shares and options in the Company, as approved by shareholders at the Company's AGM.

The Company will continue to monitor expenses in the coming quarter, whilst focusing on revenue growth.

Following the acquisition of CHOOSE Digital and RooLife, the enlarged Company received \$42k in cash receipts from customers during the 6 business days in the period 20 to 31 December.

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Business Outlook

The objective for the Company is to expand its sales, with a focus on assisting Australian businesses to sell their products online and build brand awareness in Australia and China. The Company is assessing a number of opportunities in both the marketing space and to also grow direct sales of products into China.

Along with the integration of the Company's AIS, OpenDNA expects to gain unrivalled customer intelligence and access to new customer opportunities across multiple industry sectors, driving revenue growth.

ENDS

For further information, please visit the OpenDNA website at www.opendna.ai or contact:

Bryan Carr
Chief Executive Officer
Ph: +61 8 6444 1702
Email: hello@opendna.ai



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About OpenDNA Limited

The OpenDNA Group of companies provides fully integrated digital marketing and customer acquisition services focusing on driving online sales for its clients. Powered by the OpenDNA hyper personalisation and profiling Artificial Intelligence System, OpenDNA provides personalised real-time, targeted marketing. With a key focus on driving sales in Australia and China the Company's Roolife online e-Commerce marketplace assists businesses to sell directly to Chinese consumers and accept payment via the Wechat and Alipay mobile payments platforms. Roolife's key positioning is about knowing and remaining connected with Chinese consumers, allowing brands to continually sell products to Chinese Consumers based on their profiles and purchasing behaviours.

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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

OpenDNA Limited

ABN

14 613 410 398

Quarter ended ("current quarter")

31 December 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	42	52
1.2 Payments for		
(a) research and development	(133)	(271)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(313)	(410)
(f) administration and corporate costs	(446)	(631)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	3
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	289
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(849)	(968)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	(200)	(250)
(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	-	5
(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)	-	-
2.6 Net cash from / (used in) investing activities	(200)	(245)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	2,100	2,500
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	(165)	(165)
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	10	10
3.10 Net cash from / (used in) financing activities	1,945	2,345

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	928	669
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(849)	(968)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(200)	(245)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	1,945	2,345

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	(3)	20
4.6	Cash and cash equivalents at end of quarter	1,821	1,821

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	1,821	928
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)	1,821	928

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
53
-

As part of an ongoing group wide cost reduction plan conducted by the Board of Directors, the Directors deferred the majority of their remuneration entitlement. As disclosed in the previous quarter the intention was for that deferred remuneration to be settled by the issue of securities, subject to shareholder approval at the Company's Annual General Meeting (AGM). All resolutions tabled at the AGM on 23 November 2018 were approved by shareholders and shares subsequently issued to the Directors to settle all debts.

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
95
-

Payments totalling \$95,000 were paid to Murcia Pestell Hillard Pty Ltd, a company related to Mr. Grant Pestell, for the provision of legal services, which included due diligence undertaken on the acquisitions and Orcoda structure, announced in the quarter.

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.		
N/A		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	58
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	-
9.4 Leased assets	-
9.5 Staff costs	545
9.6 Administration and corporate costs	384
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	987

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	CHOOSE Digital Pty Ltd	-
10.2 Place of incorporation or registration	Australia	-
10.3 Consideration for acquisition or disposal	\$125,000 ¹	-
10.4 Total net assets	100	-
10.5 Nature of business	Fully-integrated digital marketing business	-

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	RooLife Limited	-
10.2 Place of incorporation or registration	Australia	-
10.3 Consideration for acquisition or disposal	\$75,000 ¹	-
10.4 Total net assets	100	-
10.5 Nature of business	Building and servicing sales channels for Australian business to sell their products into China	-

¹ As a result of completion of the acquisitions of CHOOSE Digital Pty Ltd and RooLife Limited under the binding Heads of Agreement, a cash payment of \$200,000 has been made to the Acquisition vendors and they have been issued with approximately 15.24 million fully paid ordinary shares in OpenDNA Limited ("Shares") in aggregate. Those Shares have been issued with a deemed issue price of \$0.035 per Share and are subject to voluntary escrow for 12 months. Approximately 30.5 million performance shares in total have also been issued to the Acquisition vendors, which are split equally into two tranches and are convertible into Shares on a 1-for-1 basis upon the achievement of various revenue milestones as detailed in the Company's announcement of 12 September 2018.

During the quarter ended 30 September 2018, the Company entered into a binding agreement ("Option Agreement") with Orcoda Limited ("Orcoda"), pursuant to which the Company has obtained the exclusive option for a period of 90 days to acquire an existing Hong Kong and Chinese corporate structure. The Option Agreement replaces a previous exclusivity arrangement which had been secured by the Acquisition vendors and involves the upfront payment to Orcoda of a \$50,000 exclusive option fee followed by a further acquisition payment of \$150,000 should the Company elect to exercise its option.

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 2019

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.