



31 October 2018

ACTIVITIES REPORT AND APPENDIX 4C FOR QUARTER ENDED 30 September 2018

Highlights

- Binding Heads of Agreement signed to acquire CHOOSE Digital and RooLife
- \$2.5m Placement undertaken to fund acquisition and provide working capital for the enlarged OpenDNA business
- Binding Option Agreement signed with Orcoda
- Completion of Tranche 1 of Placement, raising \$400,000 before costs
- Research and Development tax credit received, injecting a further \$289,000 into cash reserves

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 30 September 2018.

Binding Head of Agreement and Placement

As announced on 12 September 2018, the Company entered into a binding Heads of Agreement ("HOA") to acquire two Australian-based companies, CHOOSE Digital Pty Ltd ("CHOOSE Digital") and RooLife Limited ("RooLife").

Under the HOA, the acquisition of both companies ("Acquisition") forms part of a single transaction which is conditional, amongst other things, on due diligence and OpenDNA shareholder approval.

OpenDNA has also received firm commitments to place a total of 71,428,571 new fully paid ordinary shares ("Shares") to sophisticated and professional investors at \$0.035 per Share, together with one free attaching option for every two Shares ("Options"), to raise a total of up to \$2.5 million before costs ("Placement").

The Options will have an exercise price of \$0.05 per Share and an expiry date of 31 October 2021. Funds raised from the Placement will be used to complete the Acquisition and to provide working capital for the enlarged OpenDNA business, with a focus on unlocking strategic benefits between OpenDNA, CHOOSE Digital and RooLife and driving associated revenue opportunities.

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Unit B9, 1st Floor 431 Roberts Rd Subiaco WA 6008
Registered as: OpenDNA Limited
ACN: 613 410 398

Binding Option Agreement

In parallel to the HOA, OpenDNA has also 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 which will facilitate deployment into China of the RooLife business model.

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. Subject to satisfactory due diligence, the intention is that the option would be exercised contemporaneously with Completion of the Acquisition.

Tranche 1 Placement

On 28 September 2018, the Company announced that it had completed the first tranche of the placement of securities to sophisticated and professional investors described above, successfully raising \$400,000 before costs.

The first tranche of the Placement has been completed utilising the Company's existing placement capacity under ASX Listing Rules 7.1 and 7.1A. A total of 11,428,571 new Shares having an issue price of \$0.035 per Share, together with 5,714,286 free attaching Options (on a 1 for 2 basis) having an exercise price of \$0.05 and an expiry date of 31 October 2021, have been issued pursuant to tranche 1. Of these securities, 3,724,418 Shares were issued under Listing Rule 7.1A and the balance were issued under Listing Rule 7.1.

At the same time, 6,783,936 Shares at a deemed value of \$0.035 per Share and a further 1.5 million Options have been issued by the Company under Listing Rules 7.1A and 7.1, respectively, to settle outstanding amounts due to various creditors who include professional advisors and employees of the Company.

All of the Shares issued are on the same terms as, and rank equally in all respects with, the existing fully paid ordinary shares in the Company.

Subsequent to the end of the quarter, the Company finalised the notice of meeting for its Annual General Meeting (to be held on 23 November 2018), included in which are resolutions seeking the approval of OpenDNA shareholders to proceed with the second tranche of the Placement which will raise a further \$2.1 million before costs.

Research and Development Tax Credit Relief Claim

During the quarter, the Company received \$289,000 refund in respect to its Research and Development Tax Credit Relief Claim. The claim covers eligible research and development costs for the year ended 30 June 2018.

Financial position and cash management

As noted in the attached Appendix 4C, the Company held A\$928k in cash and cash equivalents as at 30 September 2018.

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As announced in the previous quarter, the Board of Directors conducted a strategic review which included a review of all expenditure and, as part of various ongoing cost reduction measures, the Non-executive Directors continue to defer payment of their fees.

ENDS

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

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About OpenDNA Limited

People are not categories. People are individuals.

OpenDNA is an Artificial Intelligence company that enables businesses to better understand their individual users by building detailed psychographic, personality & behavioural maps of those users; giving them the most personalized, relevant and targeted experiences possible. The technology has been proven to improve user engagement and retention, in turn creating the ability for OpenDNA's customers to increase revenue.

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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")

30 September 2018

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|------------------------------------|--|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 10 | 10 |
| 1.2 Payments for | | |
| (a) research and development | (138) | (138) |
| (b) product manufacturing and operating costs | - | - |
| (c) advertising and marketing | - | - |
| (d) leased assets | - | - |
| (e) staff costs | (97) | (97) |
| (f) administration and corporate costs | (185) | (185) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 2 | 2 |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Government grants and tax incentives | 289 | 289 |
| 1.8 Other (provide details if material) | - | - |
| 1.9 Net cash from / (used in) operating activities | (119) | (119) |

| | | |
|--|------|------|
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) property, plant and equipment | - | - |
| (b) businesses (see item 10) | (50) | (50) |
| (c) investments | - | - |

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|------------------------------------|--|
| (d) intellectual property | - | - |
| (e) other non-current assets | - | - |
| 2.2 Proceeds from disposal of: | | |
| (a) property, plant and equipment | 5 | 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 | (45) | (45) |

| | | |
|---|------------|------------|
| 3. Cash flows from financing activities | | |
| 3.1 Proceeds from issues of shares | 400 | 400 |
| 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 | - | - |
| 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 | - | - |
| 3.10 Net cash from / (used in) financing activities | 400 | 400 |

| | | |
|---|-------|-------|
| 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 | 669 | 669 |
| 4.2 Net cash from / (used in) operating activities (item 1.9 above) | (119) | (119) |
| 4.3 Net cash from / (used in) investing activities (item 2.6 above) | (45) | (45) |
| 4.4 Net cash from / (used in) financing activities (item 3.10 above) | 400 | 400 |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|--|------------------------------------|--|
| 4.5 | Effect of movement in exchange rates on cash held | 23 | 23 |
| 4.6 | Cash and cash equivalents at end of quarter | 928 | 928 |

| 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 | 928 | 669 |
| 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) | 928 | 669 |

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 |
|------------------------------------|
| 15 |
| - |

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 during the quarter. As disclosed in the previous quarter it is intended that deferred remuneration will be settled by the issue of securities, subject to shareholder approval at the Company's Annual General Meeting.

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 |
|------------------------------------|
| 22 |
| - |

Payments totalling \$22,000 were paid to Murcia Pestell Hillard Pty Ltd, a company related to Mr. Grant Pestell, for the provision of legal services.

| 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 | 109 |
| 9.2 Product manufacturing and operating costs | - |
| 9.3 Advertising and marketing | - |
| 9.4 Leased assets | - |
| 9.5 Staff costs | 230 |
| 9.6 Administration and corporate costs | 381 |
| 9.7 Other (provide details if material) | - |
| 9.8 Total estimated cash outflows | 720 |

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

Note: During the quarter, 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. Subject to satisfactory due diligence, the intention is that the option would be exercised contemporaneously with Completion of the Acquisition.

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 October 2018

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.