

27th June 2016

Dear Shareholder,

As we look back on what your company has achieved during the 2016 financial year it is clear we have done a great deal, created an extremely strong operational and financial foundation and in the process created strong positive momentum.

While our stated aim is to provide mobile payments, money services and remittances to anyone, anywhere in the world, especially those not currently linked to traditional banks, it is important for you to know that our aim is actually a reality - you have invested in a **real business**, generating **real revenue** and having **genuine partnerships** with some of the largest players in our primary market, the Philippines.

Our Philippines operations are established and proven – and ready for significant growth. We have a secure and commercially deployed white label mobile banking and payments platform approved by key regulatory bodies with 100,000 subscribers performing circa 1.13 million transactions per month. Metropolitan Bank & Trust Company, Unionbank of the Philippines and United Coconut Planters Bank (UCPB) – three leading banks in the Philippines, utilise our platform to offer mobile banking services to their account holders and continue to rely on us to maintain and provide ongoing technical improvement and support. These banking agreements and relationships provide exceptional industry verification and proven commercial application of our platform.

With a population of over 100 million, approximately 114 million mobile phones in use and circa 75% of the population unbanked, we have only touched a very small percentage of this market to date, as we have bedded down our platform and relationships during the first six months since listing on the ASX.

In the Philippines, we are;

- ❖ rapidly commercialising the MyWeps app (powered by Peppermint) through the 1Bro Global agent network - made up of 90,000 agent members and 40 business centres throughout the Philippines, where the focus is to provide basic financial services to the enormous unbanked population. Agent training and accreditation programs are now underway for agents to directly market services such as mobile bill payments and mobile airtime top-up to their individual established customer bases, generating system fees on each transaction for Peppermint;
- ❖ working with the Central Bank of the Philippines (BSP) on licensing for the My Weps app, which would see 1Bro business centres becoming registered to process non-bank domestic remittances, and act as a non-bank delivery outlet for international remittances;
- ❖ working with the BSP to show how we satisfy their regulations (including “know your client” (KYC) and Anti Money Laundering (AMLA) regulations) which must be complied with to allow agents to provide remittance services individually; and
- ❖ finalizing commercial agreements and associated technical integration with the leading Filipino bill payment aggregator to facilitate the bill payments functionality of My Weps and introduce agent mobile wallet top-up services.



Peppermint is now also stepping up its engagement with our traditional banking partners, which represents a real growth opportunity for us. Significantly we are in advanced discussions with one of our three banking partners in the Philippines to expand account holder use of our 'white label' platform. Recently we were informed of their intention to dramatically ramp up from the current 50,000 registered account holders to a far greater number of account holders to be registered on the platform over the coming 12 months and we look forward to informing the market of developments here.

Other initiatives we continue to work on with our traditional banking partners include;

- ❖ a request to build out an IPG (internet payments gateway), which would see us receive on-going revenue share of transactions across the platform;
- ❖ a partnership to launch a new remittance platform that will enable real time international remittance credit to bank services; and
- ❖ a request to conduct thought leadership with one of our banking partners around the global trends and future of mobile banking, and work with their executive team to define how we will work with them in the Philippines utilising our mobile platform.

The Future: While the Philippines opportunity is our focus now as a real and significant opportunity, the work we are doing there is developing a tried and tested highly scalable business model (based on a fully functional Proprietary mobile banking, payments and remittance technology platform), which can be applied in other agent networks and analogous countries.

One such target is Bangladesh, globally the seventh largest remittance receiving country estimated in value at US\$15 billion in 2015 by the World Bank. There we expect to expand our relationship with emerging Bangladesh payments platform, 24Nme, which will provide Peppermint with access to valuable established relationships with regulatory bodies and banks in Bangladesh.

This market, combined with the Philippines cross border remittance market, the third largest globally valued at \$28 billion in 2015 according to the World Bank, means a presence in two key global international remittance corridors with a combined worth of approximately US\$44 billion in 2015.

We are also exploring other expansion opportunities, including the creation of Australian and European operational arms through strategic JV agreements and/or M&A activity.

To be clear, the activities Peppermint are involved with now are not an "idea" or a "thought". They are well developed, at an advanced stage and achievable in the timeframe. More importantly, and once in place, they will see the Peppermint Innovation brand and platform grow significantly – to the benefit of the company and its shareholders.

Over the next five years research predicts the mobile payments market is anticipated to increase rapidly to over \$1.3 trillion in value. In particular, mobile phone usage is anticipated to be the largest in the Asia Pacific region with an estimated 2.9 billion mobile phone users by 2017 compared to second place Europe with 728 million users expected by 2017.

We want to ensure that your company has the platform, the partners and reach to maximize the revenue opportunities that will come from this.



Why you should be excited about the future of your company?

- ❖ Peppermint is **well-established and operating** in the Philippines where we have a highly experienced team in place, and strong technology and IP to meet all the requirements of the Central Bank of the Philippines.
- ❖ We are **ramping up the revenue and business** we are now operating with three of the top commercial banks in the Philippines who are using our world-class platform upon which **USD\$9.5m and four years of development** have been invested.
- ❖ Peppermint is focused on capturing part of the circa **USD\$45 billion Philippines domestic remittances market**. Peppermint's purpose-built MyWeps mobile remittances application will offer the highest level of convenience, flexibility and competitive pricing in this market.
- ❖ **It is telco-agnostic**. The Peppermint Platform is able to provide remittance and bill pay services to customers of any mobile phone carrier, as well as the added benefit of being able to sell mobile airtime for any carrier to any customer.
- ❖ Mobile and convenient. Peppermint has tapped into an **established network of up to 90,000 agents and 40 business centers**, doing away with the need for bricks and mortar shopfronts and offering a completely mobile and convenient service.
- ❖ **Competitively priced**: PIL will be entering the market with mobile, flexible and convenient offering that is highly competitive in price.

We, as a board and fellow shareholders, are excited by the opportunities to grow our business within the Philippines and the wider South East Asian region.

During a short period, we have made real progress towards delivering value to shareholders on the back of opportunities in the fastest growing market in the world for the technology we have developed.

We will use this knowledge, together with the skills and relationships we have developed to grow our business in these two markets, and beyond should the opportunity provide.

Peppermint is a **real business**, generating **real revenue** and having **genuine partnerships**, but more than that we also have a real and defined growth strategy that we plan to implement with your support over the coming 6-12 months.

I look forward to updating shareholders and investors on these opportunities over the next 6-12 months and I thank you, on behalf of the board, for your continued support of Peppermint Innovation.

Kind regards



Chris Kain
Managing Director
Peppermint Innovation Limited

