

25 January 2013

ASX Market Announcements  
Australian Securities Exchange  
20 Bridge Street  
SYDNEY NSW 2000

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## APPENDIX 4C – Q2FY13 QUARTERLY CASH FLOW STATEMENT

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Please find attached the Appendix 4C “Quarterly Report” for Emerchants Limited (**Company**) for the quarter and the 6 months to 31 December 2012 (**Q2FY13**).

The following are additional explanatory notes to be read in conjunction with the Report.

Cash outflows from Operations improved in the Q2FY13 quarter as a result of continued revenue growth across the portfolio and revenues of \$330,000 in the current quarter from new business initiatives previously announced on which the cash outlays for the cards had already been paid in the previous quarter. The continuing growth in the revenue metrics (see table 2), the stabilising of the fixed operating expenditures and minimal net outlay in the near term on capital expenditures are expected to continue in contributing to the improvement in the underlying cash flow.

In reviewing the Company's short-term cash flows, the directors note that the Company expects to receive the following large inflows in the next 6 months:

- a tax refund of approximately **\$500k** in FY13 from the R&D Tax Concession program for FY12 (the FY11 refund was received in Q1FY13);
- Remaining **\$40k** proceed from the sale of the Johnnycake tenement pending approval from the Queensland department of Mines and Energy;

The directors are satisfied that the Company has adequate funding, that its current balance sheet is sound, and that the Company complies with Listing Rule 12.2.

The table below summarises the quarterly progress, with key inflows and outflows described in further detail below.

Table 1: quarterly cash flow summary

\$ Thousands	Q2FY12		Q2FY13	
	Quarter	YTD	Quarter	YTD
Operations	(1,392)	(4,071)	(783)	(1,938)
<i>% Change on prior comparative period</i>			44%	52%
Investing	(471)	(1,921)	66	49
<i>% Change on prior comparative period</i>			114%	103%
Financing	Nil	132	Nil	2,456
<i>% Change on prior comparative period</i>			n/a	1759%
<b>Total</b>	<b>(1,863)</b>	<b>(5,860)</b>	<b>(717)</b>	<b>567</b>

#### Cash outflows from operations

Cash outflows from operations have improved over the prior comparative period by 44% due to the growth in revenue metrics (table 2) and stabilising of the fixed expenses. The quarterly operational cash flow was further improved by receiving payment of \$330,000 in the current quarter from new business initiatives previously announced on which the cash outlays for the cards had already been paid in the previous quarter. Further cost control measures and the continued focus on the growth in revenues are expected to result in a continued improvement in operational cashflow.

Table 2: Emerchants key operating metrics

Thousands	Q2FY12		Q2FY13	
	Quarter	YTD	Quarter	YTD
No. Cards activated	222	359	315	547
<i>% Change on prior comparative period</i>			42%	52%
\$ Funds loaded (new and existing accounts)	\$19,647	\$30,384	\$38,696	\$55,632
<i>% Change on prior comparative period</i>			97%	83%
No. Revenue generating transactions	660	1,099	1,001	1,754
<i>% Change on prior comparative period</i>			52%	60%
\$ Funds under management	\$14,770	\$14,770	\$21,889	\$21,889
<i>% Change on prior comparative period</i>			48%	48%

### Cash inflows from Investing activities

The net cash inflow in the current quarter relates to the following:

- Receipt of \$125k from Crocodile Gold upon the Mines Minister approving and registering the sale agreement and approving the transfer of Northern Territory mining tenements.
- Receipt of \$10k deposit from Forte Consolidated Limited on the sale of the Johnnycake tenement.
- (\$69k) on the development of our new Visa functionality.

As previously indicated in earlier submissions, Management expect the net cash outflows from investing activities to be minimal over the next 12 months and directly revenue dependant, with outflows on future product development largely offset by further inflows expected from the following items:

- Remaining **\$400k** expected to be received in FY14 from the Northern Territory mining tenement,
- Remaining **\$40k** expected to be received in FY13 from the sale of the Johnnycake tenement pending approval from the Queensland department of Mines and Energy;
- The Company continues to explore opportunities to sell its South Australian tenement at a price in the best interests of the Company.

### Cash outflows from Financing activities

No further financing activities are expected in the near term as the Board considers the current funding and capital structure appropriate based on the Company's operating outlook.

**-ENDS-**

For more information, please contact:

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Emerchants Limited  
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# Appendix 4C

## Quarterly report for entities admitted on the basis of commitments (Parent Company and Exploration-related Subsidiaries)

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10

Name of entity

Emerchants Limited

ABN

93 104 757 904

Quarter ended ("current quarter")

31 December 2012

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from customers	1,224	1,967
1.2 Payments for:		
(a) staff costs	(1,372)	(2,913)
(b) advertising and marketing	(31)	(56)
(c) leased assets	(8)	(9)
(d) other working capital	(329)	(830)
(e) accounting and administrative services	-	-
(f) acquisition-related expenses	-	-
(g) exploration expenditure	(22)	(42)
(h) software and systems infrastructure	(163)	(314)
(i) risk and compliance	(138)	(262)
(j) rent and utilities	(143)	(259)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	199	358
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other #	-	422
	-	-
<b>Net operating cash flows</b>	<b>(783)</b>	<b>(1,938)</b>

# Relates to a refund from the R&D Tax Concession programme for the FY11 year

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**Quarterly report for entities**  
**admitted on the basis of commitments**

	Current quarter \$A'000	Year to date (6 months) \$A'000
1.8 Net operating cash flows (carried forward)	<b>(783)</b>	<b>(1,938)</b>
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets *	(69)	(86)
(e) other non-current assets (deposits) **	-	-
(f) cash included on consolidation of subsidiary	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	135	135
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other	-	-
<b>Net investing cash flows</b>	<b>(16)</b>	<b>49</b>
<b>1.14 Total operating and investing cash flows</b>	<b>(717)</b>	<b>(1,889)</b>
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	-	2,664
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	(50)
1.19 Dividends paid	-	-
1.20 Other – Share Issue costs	-	(158)
<b>Net financing cash flows</b>	<b>-</b>	<b>2,456</b>
<b>Net increase (decrease) in cash held</b>	<b>(717)</b>	<b>567</b>
1.21 Cash at beginning of quarter/year to date	3,575	2,289
1.22 Exchange rate adjustments to item 1.20	-	-
<b>1.23 Cash at end of quarter</b>	<b>2,858</b>	<b>2,858</b>

+ See chapter 19 for defined terms.

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	205
1.25	Aggregate amount of loans to the parties included in item 1.11	Nil

1.26 Explanation necessary for an understanding of the transactions

Payments to Executive Directors, Non-Executive Directors and Associates of the directors is broken down as follows:

\$000's

Directors and Executive Directors fees	193
Superannuation	12
Associates of the directors	-
<b>Total</b>	<b>205</b>

**Non-cash financing and investing activities**

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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Performance based options

On the 21<sup>st</sup> September 2012, the Board of Directors approved the issuance of 10,250,000 unlisted performance based options to certain employees of the Company. The options are exercisable on the 21<sup>st</sup> September 2015 at an exercise price of \$0.15 subject to the achievement of audited financial targets in the FY15 year. The fair value of these equity-settled share based payments was estimated at the date of the grant using the Black and Scholes model to be a total of **\$326,029**. That amount is scheduled to be expensed over the 2013, 2014 and 2015 financial years.

On 13 November 2012 the shareholders at the Annual General Meeting approved the issue of 1,750,000 unlisted performance based options to Mr Thomas Cregan (Managing Director) to take up fully paid ordinary shares of the Company. The options are exercisable on 21<sup>st</sup> September 2015 at an exercise price of \$0.15 subject to the achievement of audited financial targets in the FY15 year. The fair value of these equity-settled share based payments was estimated at the date of the grant using the Black and Scholes model to be a total of **\$116,231**. That amount is scheduled to be expensed over the 2013, 2014 and 2015 financial years.

Bonus shares and Share Grant

On 3 August 2012 the Company issued 5,555,555 Shares (**Bonus Shares**) to Thomas Cregan and Associates Pty Ltd, a company controlled by Mr Thomas Cregan, under an employment agreement between the Company and Mr Cregan. This was approved by the shareholders at the Annual General Meeting on 13 November 2012. The fair value of these equity-settled share based payments was estimated at the date of the grant to be a total of **\$500,000**. That amount is scheduled to be expensed over the 2013, 2014 and 2015 financial years.

On 13 November 2012 the shareholders at the Annual General Meeting approved the issue of 3,888,888 fully paid ordinary shares of the Company (**Share Grant**) to Mr Peter Martin (Non-executive Director) in recognition of Mr. Martin's personal financial investment in the Company as well as his interest and commitment to the Company by joining and actively participating on the Board of Directors. The shares are to be held in escrow for 2 years. The fair value of the grant amounted to **\$505,555** and was fully expensed in November 2012 as the grant contained no service or performance conditions.

- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

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+ See chapter 19 for defined terms.

### Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	441	676
4.2 Deposits at call	2,417	2,899
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.23)</b>	<b>2,858</b>	3,575

### Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a)) N/A
5.1 Name of entity	N/A	N/A
5.2 Place of incorporation or registration	N/A	N/A
5.3 Consideration for acquisition or disposal	N/A	N/A
5.4 Total net assets	N/A	N/A
5.5 Nature of business	N/A	N/A

+ See chapter 19 for defined terms.



## **Compliance statement**

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:

Director

Date: 24 January 2013

Print name: Tom Cregan

## **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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, AASB 107: Statement of Cash Flows apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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