

31 July 2013

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

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## APPENDIX 4C – Q4FY13 QUARTERLY CASH FLOW STATEMENT

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Please find attached the Appendix 4C “Quarterly Report” for Emerchants Limited (**Company**) (ASX:EML) for the quarter and the 12 months to 30 June 2013 (**Q4FY13**)(**Report**).

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

The Company completed the FY13 financial year with \$135m (FY12: \$100m) in total funds loaded through our systems. The margins earned on the total funds loaded remained consistent with prior years and consequently this has translated into a similar percentage increase in revenues over FY12.

Management have continued to reduce the cash overheads during the year and consequently the Company has seen a reduction in the expenses over the prior comparative year and prior comparative quarterly period

Management has been successful in applying for and receiving R&D grants in the prior fiscal years and intends to pursue such grants in the coming fiscal year. Should these grants be approved, they would be received in Q2 FY14. For the FY12 year, the Company received an R&D grant that was received by the Company in Q3 FY13, which represents a significant amount of the variance in cash outflows versus last quarter.

The outlook for the Company remains healthy, supported by a strong pipeline of revenue producing opportunities and inflows from existing, recently launched programmes and recently announced programs that will launch in market in the current quarter. The Company does not envisage a significant amount of capital expenditure in the near term and any capital requirements would be structured to coincide with materially significant opportunities.

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

<b>\$ Thousands</b>	<b>Q4FY12 Quarter</b>	<b>Q4FY12 Full year</b>	<b>Q4FY13 Quarter</b>	<b>Q4FY13 Full year</b>
Operations	(1,371)	(6,956)	(974)	(3,099)
<i>% Change on prior comparative period</i>			29%	55%
Investing	(49)	(1,166)	(20)	(27)
<i>% Change on prior comparative period</i>			59%	98%
Financing	(38)	94	(134)	2,196
<i>% Change on prior comparative period</i>			(253%)	2234%
<b>Total outflow</b>	<b>(1,459)</b>	<b>(8,028)</b>	<b>(1,129)</b>	<b>(930)</b>
<b>Closing Cash</b>	<b>2,290</b>	<b>2,290</b>	<b>1,359</b>	<b>1,359</b>

### Cash outflows from operations

Cash outflows from operations have improved over the prior comparative period due to the growth in revenue metrics (table 2) and continued cost control measures. The growth in Total Funds Loaded was achieved despite the strategic shift to re-loadable products in FY13, which have a longer sales cycle but offer more attractive, longer term revenue streams.

The last quarter is not reflective of the Company's annualised cash outflow run rate. Whilst we are undertaking the transition to a re-loadable prepaid debit business, a significant amount of revenues remain non-reloadable, and those products experience seasonality benefits in Q2 and into Q3, plus the likelihood of an R&D grant for the FY13 year.

Table 2: Emerchants key operating metrics

<b>Thousands</b>	<b>Q4FY12 Quarter</b>	<b>Q4FY12 Full year</b>	<b>Q4FY13 Quarter</b>	<b>Q4FY13 Full year</b>
No. active accounts > \$0 <sup>1</sup>	397	397	516	516
<i>% Change on prior comparative period</i>			30%	30%
\$ Total Funds loaded (initial and subsequent loads) <sup>2</sup>	\$26,274	\$100,842	\$34,383	\$134,914
<i>% Change on prior comparative period</i>			31%	34%
No. key transactions <sup>3</sup>	764	2,647	1,055	3,936
<i>% Change on prior comparative period</i>			38%	48%
\$ Stored value on accounts <sup>4</sup>	\$15,040	\$15,040	\$20,858	\$20,858
<i>% Change on prior comparative period</i>			39%	39%

<sup>1</sup> Number of active prepaid accounts measured at the end of the period with a balance greater than \$0.00. Accounts that have expired or have no funds associated with them are excluded.

<sup>2</sup> Total funds loaded onto prepaid accounts – total of initial and subsequent loads. Previously only initial loads were reported as a means of reporting the growth in new business, however by reporting both initial and subsequent loads the total funds loaded are captured and disclosed.

<sup>3</sup> Key transactions constituting activity such as redemption or attempted redemption of prepaid value.

<sup>4</sup> Total value on deposit for the prepaid portfolio measured at the end of the period. Represents unredeemed stored value.

### Cash outflows from investing activities

The outflow in the current quarter relates to the acquisition of computer equipment and office furnishings.

As indicated in earlier submissions, management expect the net cash outflows from investing activities to be directly revenue dependant, with investing outflows on future product development largely offset by further inflows from cash accretive revenue opportunities or the following items:

- Remaining **\$400k** expected to be received in FY14 from Northern Territory mining tenement.
- Remaining **\$40k** proceed from the sale of the Johnny cake tenement pending approval from the Queensland Department of Natural Resources and Mines. This is anticipated to be received in 1HFY14.
- 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

The outflow from financing activities for the current quarter comprised the remaining settlement payment with the Globetrotter Group Pty Ltd. During the quarter the Company has fully extinguished the obligation with the Globetrotter Group Pty Ltd and has no remaining debt outstanding.

**-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

**(Internal document only)**

Name of entity

Emerchants Limited

ABN

93 104 757 904

Quarter ended ("current quarter")

30 June 2013

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from customers	1,102	4,176
1.2 Payments for:		
(a) staff costs	(1,217)	(5,433)
(b) advertising and marketing	(24)	(109)
(c) leased assets	(6)	(21)
(d) other working capital	(712)	(1,860)
(e) accounting and administrative services		
(f) acquisition-related expenses		
(g) exploration expenditure	13	(28)
(h) software and systems infrastructure	(123)	(550)
(i) risk and compliance	(76)	(417)
(j) rent and utilities	(104)	(477)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	173	704
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other*	-	916
<b>Net operating cash flows</b>	<b>(974)</b>	<b>(3,099)</b>

\*Tax refund relating to the Research and Development tax incentive scheme for the FY11 and FY12 years received during the year.

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

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	<b>(974)</b>	<b>(3,099)</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/intangible assets	(1)	(111)
(d) physical non-current assets	(19)	(51)
(e) other non-current assets	-	-
(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 (i)	-	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>(20)</b>	<b>(27)</b>
<b>1.14 Total operating and investing cash flows</b>	<b>(994)</b>	<b>(3,126)</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 (ii)	(134)	(310)
1.19 Dividends paid	-	-
1.20 Other – Share Issue costs	-	(158)
<b>Net financing cash flows</b>	<b>(134)</b>	<b>2,196</b>
<b>Net increase (decrease) in cash held</b>	<b>(1,129)</b>	<b>(930)</b>
1.21 Cash at beginning of quarter/year to date	2,488	2,289
1.22 Exchange rate adjustments to item 1.20	-	-
<b>1.23 Cash at end of quarter</b>	<b>1,359</b>	<b>1,359</b>

(i) Total Receipt of \$135k consist of:

\$125k from Crocodile Gold upon the Mines Minister approving and registering the sale agreement and approving the transfer of Northern Territory mining tenements.

\$10k deposit from Forte Consolidated Limited on the sale of the Johnnycake tenement.

(ii) During the quarter, payments were made to settle the amounts payable to Globetrotter. The Company has no remaining debts as at 30 June 2013.

+ 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	104,000
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*	99,883
Superannuation	4,117
Associates of the directors	-
<b>Total</b>	<b>104,000</b>

\* The non-executive Directors have agreed to forgo director's fees from March 2013 until June 2014 in return for a long term, three year escrowed, option grant that would be subject to shareholder approval at the AGM in November 2013.

**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.

- 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 \$'000	Amount used \$'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 \$'000	Previous quarter \$'000
4.1 Cash on hand and at bank	559	981
4.2 Deposits at call	800	1,505
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.23)</b>	<b>1,359</b>	<b>2,487</b>

### 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:

Managing Director

Date: 31 July 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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+ See chapter 19 for defined terms.