

23 April 2013

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

APPENDIX 4C – Q3FY13 QUARTERLY CASH FLOW STATEMENT

Please find attached the Appendix 4C “Quarterly Report” for Emerchants Limited (**Company**) for the quarter and 9 months to 31 March 2013 (**Q3FY13**).

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

The Company is pleased to announce the continued improvement in operational cash outflows and key revenue metrics. Cash outflows from operations improved in the Q3FY13 quarter as a result of continued cost reductions, revenue growth and the receipt of approximately \$500k in a tax refund relating to the R&D tax incentive scheme for FY12.

The Company expects the trend of revenue growth to continue due to a growing customer base of existing and recently launched programmes, supported by a strong pipeline of opportunities. The Company continues to compliment its revenue growth by right sizing the fixed operating expenditures and continuing to seek opportunities to minimise cash outlay to coincide with revenue inflows. This focused strategy is expected to continue in contributing to the improvement in the underlying cash flow.

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.

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Table 1: Quarterly cash flow summary

| \$ Thousands | Q3FY12 Quarter | Q3FY12 YTD | Q3FY13 Quarter | Q3FY13 YTD |
|---|---------------------------|-----------------------|---------------------------|-----------------------|
| Operations | (1,514) | (5,585) | (189) | (2,127) |
| <i>% Change on prior comparative period</i> | | | 88% | 62% |
| Investing | 804 | (1,117) | (56) | (8) |
| <i>% Change on prior comparative period</i> | | | (107%) | 99% |
| Financing | Nil | 132 | (126) | 2,331 |
| <i>% Change on prior comparative period</i> | | | n/a | 1666% |
| Total | (710) | (6,570) | (371) | 196 |

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 stabilising of the fixed expenses.

The growth in total funds loaded has continued at historical gross margins and the quarter's operational cash flow was further improved by receiving approximately \$500k in a tax refund relating to the R&D tax incentive scheme for FY12. The R&D refund is recognition of continued product innovations to new and existing clients and is subject to strict ATO approvals.

Cost control measures focused on reducing costs paid to external service providers and continued operational right sizing initiatives have further contributed to the quarter's operational cash flow improvements. In addition, the non-executive directors have agreed to forego director's fees until 30 June 2014 in return for a long term, three year escrowed, option grant that will be put to shareholders for approval at the AGM in November, further aligning the directors financial outcomes with the success of the Company.

Table 2: Emerchants' key operating metrics

| Thousands | Q3FY12 Quarter | Q3FY12 YTD | Q3FY13 Quarter | Q3FY13 YTD |
|---|---------------------------|-----------------------|---------------------------|-----------------------|
| No. active Cards > \$0 | 364 | 364 | 518 | 518 |
| <i>% Change on prior comparative period</i> | | | 42% | 42% |
| \$ Total Funds loaded (new and existing accounts) | \$26,286 | \$74,565 | \$34,329 | \$100,534 |
| <i>% Change on prior comparative period</i> | | | 31% | 35% |
| No. key transactions | 664 | 1,763 | 928 | 2,683 |
| <i>% Change on prior comparative period</i> | | | 40% | 52% |
| \$ Stored value on accounts | \$14,645 | \$14,645 | \$23,201 | \$23,201 |
| <i>% Change on prior comparative period</i> | | | 58% | 58% |

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Cash outflows from investing activities

The outflow in the current quarter mainly relates to the development of our online presence and marketing collateral.

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

- Remaining **\$400k** expected to be received in FY14 from the sale of the Northern Territory mining tenement;
- Remaining **\$40k** proceeds from the sale of the Johnny Cake tenement pending approval from the Queensland Department of Natural Resources and Mines;
- 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

During the quarter the Company reached a settlement with Globetrotter Group Pty Ltd with regard to the on-going dispute between the two parties as disclosed in the Company's financial statements. As previously disclosed to the market, there was no dispute as to whether these funds were payable, the dispute was solely in relation to payment terms on the loan.

In the interest of reducing legal costs and management focus, the Company agreed to new payment terms to settle the full amount owing, excluding interest, of \$357k to be paid in instalments commencing in March 2013 and ending in July 2013. The outflow from financing activities for the current quarter comprised the initial part of this settlement with the residual balance to be settled in equal monthly instalments by July 2013.

-ENDS-

For more information, please contact:

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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")

31 March 2013

Consolidated statement of cash flows

| Cash flows related to operating activities | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| 1.1 Receipts from customers | 1,107 | 3,074 |
| 1.2 Payments for: | | |
| (a) staff costs | (1,303) | (4,216) |
| (b) advertising and marketing | (29) | (85) |
| (c) leased assets | (6) | (15) |
| (d) other working capital | (319) | (1,149) |
| (e) accounting and administrative services | - | - |
| (f) acquisition-related expenses | - | - |
| (g) exploration expenditure | 1 | (41) |
| (h) software and systems infrastructure | (113) | (427) |
| (i) risk and compliance | (79) | (341) |
| (j) rent and utilities | (115) | (374) |
| 1.3 Dividends received | - | - |
| 1.4 Interest and other items of a similar nature received | 173 | 531 |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Other* | 494 | 916 |
| Net operating cash flows | (189) | (2,127) |

*Tax refund relating to the Research and Development tax incentive scheme for the year ended 30 June 2012 was received in the quarter.

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Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

| | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|--|----------------------------|---------------------------------------|
| 1.8 Net operating cash flows (carried forward) | (189) | (2,127) |
| Cash flows related to investing activities | | |
| 1.9 Payment for acquisition of: | | |
| (a) businesses (item 5) | - | - |
| (b) equity investments | - | - |
| (c) intellectual property | - | - |
| (d) physical non-current assets | (56) | (143) |
| (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 | - | 135 |
| (e) other non-current assets | - | - |
| 1.11 Loans to other entities | - | - |
| 1.12 Loans repaid by other entities | - | - |
| 1.13 Other | - | - |
| Net investing cash flows | (56) | (8) |
| 1.14 Total operating and investing cash flows | (245) | (2,135) |
| Cash flows related to financing activities | | |
| 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* | (126) | (175) |
| 1.19 Dividends paid | - | - |
| 1.20 Other – Share Issue costs | - | (158) |
| Net financing cash flows | (126) | 2,331 |
| Net increase (decrease) in cash held | (371) | 196 |
| 1.21 Cash at beginning of quarter/year to date | 2,858 | 2,289 |
| 1.22 Exchange rate adjustments to item 1.20 | - | - |
| 1.23 Cash at end of quarter | 2,487 | 2,487 |

*During the quarter, a payment was made as part of an arrangement to settle the amount payable to Globetrotter.

+ See chapter 19 for defined terms.

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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 | 162 |
| 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: | |
| <u>\$000's</u> | |
| Directors and Executive Directors fees | 153 |
| Superannuation | 9 |
| Associates of the directors | - |
| Total | 162 |

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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Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

Performance based options

On the 21st 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 21st 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 21st 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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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 | 981 | 441 |
| 4.2 Deposits at call | 1,505 | 2,417 |
| 4.3 Bank overdraft | - | - |
| 4.4 Other (provide details) | - | - |
| Total: cash at end of quarter (item 1.23) | 2,487 | 2,858 |

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 |

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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: 23 April 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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