

FY 2013 DECEMBER QUARTER CHAIRMAN'S REVIEW

Q2 KEY HIGHLIGHTS

Unaudited Sales Revenues of \$4.8 million for the December quarter and \$9.9 million for half year.

Positive outcome on UK mobile billing flow, meaning new marketing can be undertaken in the March quarter.

Operational cost cutting, which will translate initially to a reduction of approx. \$200,000 for the March 2013 quarter.

Subsequent to the December quarter, we have since received an R&D rebate in excess of \$1 million.

The unaudited result was an EBITDA loss of \$1.24 million and a net loss of \$1.4 million before tax.

This includes the following abnormal items:

	\$M
Restructure costs – employee terminations	0.06
Share Based Payment expense	0.25
Acquisition related Professional Fees, and associated activities	0.07
Corporate developments costs (USA)	0.11
Other corporate administration	0.18
Total abnormal items:	0.67

NB: When excluding the above, the unaudited underlying EBITDA result and net loss before tax for the quarter was (\$0.57m) and (\$0.73m) respectively. The tax benefit from the R&D rebate will be reflected in the March quarterly statement.

OVERVIEW of ACTIVITIES

During the past quarter the Company has been largely involved in integrating and consolidating the operations around our two latest acquisitions; OfferMobi USA and All Night Media UK.

As we reported in the Chairman's address at the AGM in November, there was some unexpected volatility and uncertainty around the mobile billing processes and user flow that impacted our ability to market to our audience and convert sales. We had originally forecast to build revenues through the October to December quarter but with the regulatory environment in the UK being in a state of flux, in particular the billing flow, these interruptions had a material impact on this. The difference was a shortfall of approx. \$700,000 in revenue from our original forecast and consequently resulted in the final Group revenue 6% down from the previous quarter.

The good news now is that as we reported earlier this month, the new UK billing flow that we were seeking has now been approved and we are in the process of making the technical adjustments and integrations so that we can rebuild that business line and revenue streams. We expect this to be completed during February, with the main marketing programs re-started soon after.

As one of the first companies in UK to be able to make use of the new and improved mobile billing and order flow, we will be able to customize our marketing and offers, which we expect will enable the acquisition and conversion of new customers more easily. Together with this new billing flow and other technical related initiatives such as a completely new HTML5 front-end user interface, plus a new "Cost Per Acquisition" (CPA) marketing and reporting platform, these new developments will allow us to develop additional new marketing channels and ensure a better return on marketing expenditure. With all these initiatives scheduled to be completed and active during the current quarter, we anticipate a boost in revenues for the June quarter.

The mobile content division has also developed new market channels, including new acquisition applications and methodologies, as well as new territories including some promising growth in Italy. We have recently established a new local Italian technical and billing partnership that we believe can assist us to grow and support this new market.

We have also identified other significant cost savings and these have been implemented in December and January and we will see the benefit of this over the coming half. This refinement of our operations and ongoing strategic development has also led to some relevant one-off expenses relating to the both the acquisitions and subsequent rationalisation and redundancies. The Company has also invested in new business development personnel in the US in relation to the OfferMobi mobile advertising business, which also accounts for some additional overhead expenses during the quarter. We have made this commitment because of our faith in the growth opportunities around mobile advertising.

We are also please to advise that during the quarter we successfully applied for another R&D grant with AustIndustry and in January we received rebate of \$1.008 million, which will be reflected in the March quarter.

The Company has also continued to investigate further M&A and strategic partnerships and we hope to progress these and update the market further soon.

Greg McCann
Chairman

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Name of entity

MOKO.MOBI LIMITED

ABN

31 111 082 485

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	5,518	10,623
1.2 Payments for		
(a) staff costs	(1,019)	(1,984)
(b) advertising and marketing	(473)	(1,371)
(c) research & development	-	-
(d) other working capital	(4,441)	(8,076)
(e) other	-	-
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	4
1.5 Interest and other costs of finance paid	(27)	(27)
1.6 Income taxes received/(paid)	-	-
1.7 Other (R&D grant received)	-	-
Net operating cash flows	(441)	(831)

+ See chapter 19 for defined terms.

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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)	(441)	(831)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	(304)	(1,312)
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(3)	(39)
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
(f) cash acquired on acquisition	-	94
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (payment for product development cost)	-	-
Net investing cash flows	(307)	(1,257)
1.14 Total operating and investing cash flows	(748)	(2,088)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc (net)	254	895
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	824	924
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other	-	-
Net financing cash flows	1,078	1,819
Net increase/ (decrease) in cash held	330	(269)
1.21 Cash at beginning of quarter/year to date	717	1,575
1.22 Exchange rate adjustments to item 1.21	244	(15)
1.23 Cash at end of quarter	1,291	1,291

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Quarterly report for entities
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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	115
1.25	Aggregate amount of loans to the parties included in item 1.11	-
1.26	Explanation necessary for an understanding of the transactions	
	<u>1.24</u>	
	- Directors' and associates' remuneration	76
	- Services provided by Directors' related entities	39

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

N/A

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

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	TCA - US\$850,000 12 month secured loan @ 12% pa Directors converting note - A\$200,000 @ 10% pa	US\$850,000 A\$200,000
3.2	Credit standby arrangements	-	-

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Quarterly report for entities
admitted on the basis of commitments

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	1,291	717
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)	1,291	717

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	OfferMobi USA All Night Media	N/A
5.2 Place of incorporation or registration	OM-United States of America ANM-United Kingdom	N/A
5.3 Consideration for acquisition or disposal	OfferMobi USA: Maximum USD\$5,000,000 as USD\$2,900,000 cash & USD\$2,100,000 equity, Initially: USD\$1.2m as USD\$1m cash & 4m fully paid ordinary shares @ \$0.05 ea + Deferred: up to USD\$3.8m as 50% cash & 50% equity paid quarterly over 2 years on agreed performance hurdles All Night Media: Cash: USD\$525,000 (US\$75,000 at completion & three quarterly payments of US\$150,000 from Jan-13) plus estimated GBP£150,000 representing ANM's net cash assets upon completion Equity: 4,000,000 fully paid ordinary shares @ \$0.05 ea	N/A
5.4 Total net/ (deficiency) assets	N/A	N/A
5.5 Nature of business	OfferMobi USA – Mobile marketing All Night Media – Mobile content	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:
Company Secretary

Date: **31 January 2013**

Print name: **Andrew Bursill**

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