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ASX/MEDIA RELEASE

Sydney, 31 August 2017

OPERATING AND FINANCIAL REVIEW FOR 2017 FULL YEAR

Overview

DirectMoney Limited (ASX: DM1) is Australia's only listed, online marketplace lender. We believe a technology-enabled marketplace is a far more efficient mechanism to bring together borrowers and investors than the traditional banking system. DirectMoney substantially reduces the need for physical infrastructure, reduces transaction costs and provides online and mobile convenience improving the overall borrower and investor experience.

DirectMoney's vision is to become Australia's most respected and innovative online marketplace lender accounting for a growing share of the $100 billion unsecured consumer credit market.

Chief Executive Officer ("CEO") Anthony Nantes described the year as "one of transformation, positioning for growth and significant achievement. The Company continues to invest to achieve its vision, and is delivering on the mission of offering personal loan borrowers and investors a far better deal than that offered by traditional financial institutions. There continues to be huge opportunity in Australia to disrupt the personal loan market with our technology platform, and with our foundation now properly established, we can aggressively grow the Company and compete against the incumbent institutions".

Key Company highlights include:

- A successful $5.7 million Rights Issue adding further capital to the Company
- A wholesale funding agreement with 255 Finance structured around the purchase of $50 million in DirectMoney originated loan assets (finalised in August 2017)
- In May 2017, the DirectMoney Personal Loan Fund ARSN 602 325 628 (the "Fund"), issued by One Managed Investment Funds Limited ACN 117 400 987 AFSL 297042 as Responsible Entity of the Fund, achieved its two year milestone along with a 7.5% per annum net return to investors since inception and 7.3% per annum for the year ended 30 June 2017
- Growth in the Fund Assets Under Management ("AUM") of 231% for the year ended 30 June 2017
- Appointment of a new CEO and Chief Financial Officer ("CFO") as part of a leadership rejuvenation
- A focus on capital preservation with a strong balance sheet and no debt
- Overall reduction in net loss of 38% versus prior year (before exclusions)
- A continued investment in the DirectMoney proprietary technology platform to solidify the competitive advantage of the Company

The Company delivered on the key immediate priorities set previously including:

- Refreshing the Leadership Team across the Company
- Closing significant wholesale funding agreements
- Growing the Fund AUM
- Continuing to optimise our proprietary, integrated, end-to-end web-based loan processing platform, including rolling out customer facing initiatives to enhance user experience and leverage the Company's technology skill set
- Continued focus and discipline on credit performance

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This release provides commentary on the operational achievements and financial results for the Company during the financial year to 30 June 2017 and provides an update on the Company's strategy.

Financial results and operational achievements

DirectMoney Limited reported a net loss after tax of $5.4 million for the full-year ended 30 June 2017. This result includes non-cash related costs in relation to loan funding of $870k. At 30 June 2017 the Company was managing approximately $11.3 million of personal loans assets and held $6.4 million of personal loan assets on its balance sheet.

Table 1: Key financial results

FY2017	Reported	Excluding significant one-off items[1]
Revenues from ordinary activities	$1.2 million	$1.2 million
Loss before income tax	$5.4 million	$4.6 million
Earnings per share	(1.4) cents	(1.2) cents
FY2016	Reported	Excluding significant one-off items[2]
Revenues from ordinary activities	$1.2 million	$1.2 million
Loss before income tax	$8.8 million	$4.7 million
Earnings per share	(3.3) cents	(1.7) cents

1. Excludes one-off expenses for Macquarie Bank Limited's Funder Fee ($0.9 million).

2. Excludes one-off expenses related to the purchase of DirectMoney Finance Pty Ltd ($2.7 million), the non-recurring capital raising costs conducted by the Company in July 2015 ($0.9 million) and Macquarie Bank Limited's Funder Fee ($0.5 million).

Revenue

The Company generated revenue of $1.2 million during the year. Revenue was derived from interest earned on loans held on balance sheet, crystallisation of loan establishment and other fees, fees earned from servicing loans sold to third parties, ongoing fees from borrowers related to late payments and borrower referral sales.

The Company deliberately slowed loan book growth during the year as the business was transformed, the balance sheet protected and institutional funding put in place. Therefore, revenue was broadly flat relative to prior year. Further, the business did not complete material loan sales during the year which had the effect of deferring revenue recognition related to loans held on balance sheet and delaying the release of cash for additional lending.

Expenses

The Group incurred operational expenses of approximately $5.5 million in the year, excluding non-cash costs related to funder fees and share based payments. These expenses arose from the Company's commitment toward building out its marketplace lending business, in particular the continued development of the web based, integrated, end-to-end platform for writing personal loans and building an ecosystem of partners and loan sales channels to support future growth.

The Company spent approximately $3.0 million on staff costs, increasing staff numbers during the year to approximately 25, adding capacity and skills in the critical areas of finance, strategic partnerships, IT development and loan processing.

Notwithstanding the deliberate slowing of loan book growth, the Company invested $0.6 million in a range of marketing and advertising programs to support the DirectMoney brand for both the borrower and investor channels.

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Expenses relating to bad debts, doubtful debts and loss on sale of impaired loans recognised in the year totalled $0.4 million. As previously advised, significant adjustments to the Company's credit team and credit processes made during Q1 and Q2 2015 have materially improved the credit performance on loans written subsequently.

Strategy and outlook

DirectMoney's strategy to achieve its vision is centred on applying technology to grow loan volumes, differentiating our product offering, enhancing the overall customer experience and achieving the necessary scale economies to drive shareholder value. Growing loan volumes, which drives growth in assets under management, requires the Company to have well-established institutional loan sale channels operating in concert with the Fund. Strong progress has been made with the 255 Finance wholesale funding agreement and 231% growth in the Fund AUM.

The Company understands the dynamic and competitive nature of both the consumer lending business and the fintech segment. The Company is committed to responding quickly and appropriately to changing market conditions and commercial challenges as they arise.

The Board are delighted with the progress of the turnaround under the new CEO, Anthony Nantes, who has a proven track record in technology and business innovation across multiple sectors including lending over 15 years. The Board also welcomed new CFO, Andrew Goodwin, who has over 15 years of experience in the financial services industry including Macquarie Capital and KPMG. Together they bring significant experience to complement the existing team and guide the Company through the next phase of growth which the company is very committed to.

At the 2016 AGM, the Board announced there would be: a review of the operations and strategic outlook for the Company, a significant improvement in people and skill capability, prudent management of capital consumption, and the addition of new institutional funding arrangements to position for growth in this $100 billion strong lending market. The Board believe significant progress has been made across all these areas and now look forward to the management team driving responsible and accelerated lending growth into this new financial year.

The Board and CEO look forward to providing an overall business update at the AGM scheduled for a date to be confirmed in November 2017.

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