

Mobile Embrace Limited AGM

Bayview Boulevard Hotel

Friday, 25 November 2011

Chairman's Address to Shareholders

The 2011 financial year was challenging for Mobile Embrace but it was one that demonstrated your Company's ability to respond to difficult market conditions.

After what was a positive start to the year, focusing on the strategic vision that I outlined at the last AGM, the financial results were impacted by a number of external factors.

In order to ameliorate the situation senior management undertook substantial remedial actions laying the foundation for improved results. A 9.6% increase in revenue in the June quarter was an indication of the inherent value of these actions.

As notified to the ASX yesterday the Company posted a stronger than expected September quarter, with revenue growth of 17% on the June quarter. This is a further improvement on the previously announced forecast revenue growth of 10%.

The Company returned to cash flow positive trading in September and October generating a total \$220,000 EBITDA profit for the two months.

Growth is predicted to continue through the December quarter, which is historically a quiet period for B2B services. The Company forecasts stable trading and revenue growth greater than 5% on the September quarter.

On 14 July 2011 your Company changed from MobileActive Limited to Mobile Embrace Limited. This was much more than just a change of name; it signified a substantial and necessary transition in focus for the Company and was designed to improve the performance of Mobile Embrace both in the short and long term. In particular, we have significantly grown our capabilities and position in the provision of business-to-business integrated mobile solutions. This has been done while reducing overheads and reorganising our retail business.

In addition, investments made during the financial year were an important part of transitioning the Company into **Mobile Embrace Limited**, an integrated mobile and digital communications Company, fully equipped and already benefiting from rapidly expanding markets. I would like briefly to review the performance of the Company that was MobileActive Limited during the 2011 financial year.

We flagged an anticipated decline in earnings in November 2010. During the year the Company's financial results were impacted by a difficult trading environment, cautious consumer sentiment, increased regulatory costs and other changes taking place in the telecommunications industry that impacted the retail business.

Due to these factors, and investment costs, the Company did not make a profit.

In response to the difficult trading environment the Company reduced overheads significantly, and since the start of the new financial year these have been further reduced. From 1 July 2011, the CEO, MD, CFO and I elected to take a temporary pay reduction to assist the Company.

Following the Company's announcement of its acquisition of 50.1% in April 2010, TopBetta has seen the establishment of a Sports Betting Licence, the development of a commercially robust technology platform and associated intellectual property, the launching of racing and sports tournaments on the platform, and most recently the launch of race betting on 25 August 2011.

As this asset is not in line with the core business of Mobile Embrace, and with TopBetta live betting now in market, the Company is looking to realise the value of the development of this asset and is currently assessing options in this regard. A favourable trade sale would give the Company a good return on investment

As announced during the year proceedings were commenced by the ACCC against two wholly owned subsidiaries in the retail business; this related to some television advertising material. The Court's findings are currently under appeal, which was heard on 18 November; a decision by the Court has not yet been handed down.

Throughout the 2011 financial year, it was essential that we make investments in areas forecast for strong and sustained growth that could also impact short-term results in order to build what we believe are much greater returns in the long term.

The requirements to transition the business were considerable, nevertheless these requirements were made possible through the expertise, dedication and commitment of the staff, led by our senior management team without whom this transition could not have been achieved in the timeframe. This team has extensive skills and experience in the development of businesses in telecommunications and technology, vital to the Company achieving its goals.

Additionally, the transition was achieved in an environment of increased pressure on the retail business and significant reduction in overhead, including reducing senior management headcount.

Technology and relationship cornerstones were cemented during the year.

In May 2010 we announced an exclusive technology license and commercial partnership with Mobile Interactive Group (MIG) for Australia and New Zealand. MIG is the leading independent mobile and digital communications Company in the UK with revenues for calendar year 2010 of £78million.

In November 2010 we announced a majority holding in a joint venture with the UK's largest premium mobile advertising company, 4th Screen Advertising, to establish 4th Screen Advertising Australia.

June 2011 saw the completion of the integration of the MIG SMS billing gateway platform (for sending and receiving premium rate SMS to and from mobile phones) along with the establishment of direct connections to the major Australian telecommunications carriers. This has improved margins.

The 2011 financial year also involved the establishment of MIG and 4th Screen technology platforms with MobileActive's proprietary technology infrastructure, the setup of services and the recruitment of specialist sales staff.

As Mobile Embrace we have positioned the Company to take full advantage of the strong brand that was developed in the business-to-business division and was symbolic of the Company's increased focus on integrated mobile and digital communications.

The Company's mobile internet publishing platforms enable the development of mobile websites that are automatically optimised for more than 12,000 mobile devices. Then, by utilising our platforms and assets, Mobile Embrace provides other necessary requirements including licensing, hosting, mobile advertising, mCommerce, mobile marketing, mobile messaging and mobile applications development.

For Mobile Embrace this produces a combination of fixed and recurring revenue streams with clear pathways for business development.

Sales of Mobile Embrace integrated mobile and digital communications have been in effect for approximately six months, although not all platforms were live in this time.

Activity is progressing well with an expanding client list that now includes Toyota, Qantas, Telstra, Gillette, Aussie Home Loans, Paramount, McDonalds, FOX8, FOX SPORTS, Network 10, Nestle, 20th Century FOX, Sony Pictures, Harvey Norman, Nokia, Diagio, Olympus, Fiat, Glaxo Smith Klein, Fremantle Studios, Optus, Paypal and IMDB.

The Company has signed a strategic alliance with behavioural marketing company Global Red, whose clients include Priceline, Fitness First, NRMA and Officeworks and has also signed an exclusive mobile advertising technology provider agreement with Multi Channel Networks (MCN) who are responsible for advertising across 50 FOXTEL channels. The Company has also signed an exclusive mobile advertising partnership with Network 10, and an exclusive commercial partnership with mobile technology platform provider Modapt.

In addition to developing business in Australia and New Zealand, the exclusive technology license and commercial partnership with MIG has now been extended to include South East Asia with initiation of activities in planning for 2012.

As previously noted in the Company's 31 December 2010 half year financial report, additional funding was required to commercialise the business.

On 31 August 2011 the Company executed a loan agreement with Auster Capital Partners, a US based Private Equity firm, to activate a debt facility of up to \$600,000; 4.8 million options with a \$0.025 cent strike price will be issued as part of this agreement.

The directors are also considering other options to satisfy the requirements for the commercialisation of the business in the best interest of the Company and shareholders. Any decisions in relation to this will be announced as soon as practicable.

Regardless of the challenges of the last financial year – the difficult trading environment, increased regulation and other external impacts – the Company has been transitioned into an area of industry that, by indication and market forecasts, I believe offers growth opportunities and the potential for shareholder returns far greater than when the Company had primarily a mobile content retail focus.

We will continue to be focused on attracting and retaining the best staff to enable the Company to reach its goals. We will continue to optimise value, both cash and intellectual property, from the pre-transition retail business to assist in driving the growth of Mobile Embrace.

We are committed to the Company having access to funding where and as required to support commercialisation and expansion. As the industry grows and evolves we intend for Mobile Embrace to build substantially on its positioning and be a major player, so creating opportunities that will grow the business and deliver returns to shareholders.

The Board would like to commend the executive team and the staff for their efforts and resilience during the transition, and extend its thanks for their commitment to the Company.

I would also like to thank you, the shareholders, for your commitment to see the Company through this challenging time and for your continued support.

David Haines
Chairman