



31 August 2011

ASX / MEDIA RELEASE

Mobile Embrace Reports Strong September Quarter on Business Transition; FY Earnings Impacted by Difficult Trading Environment

Mobile Embrace Limited (ASX: MBE) said it was on track for a strong September quarter as a result of transitioning the business to become Australia's leading integrated mobile and digital communications company.

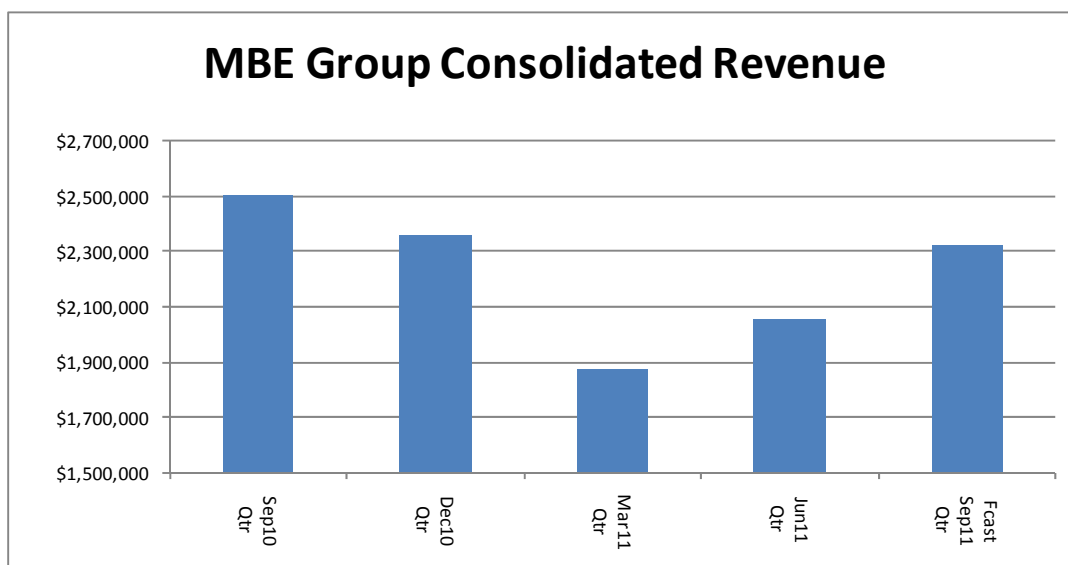
Difficult trading conditions, increased regulatory costs and expenses related to short-and-long term growth initiatives impacted full-year income. The decline was flagged in November.

Revenue jumped 9.6% in the June 2011 quarter as actions started last calendar year to transition the business drove an improvement in performance.

The September quarter is also progressing well, and is on target to deliver greater than 10% growth on the June quarter.

The company has significantly grown its capabilities and position in business-to-business integrated mobile and digital communications. This has been done while reducing overheads and reorganising its legacy retail business that will be phased out over time.

On 14 July 2011, the name of the company changed from MobileActive Limited to Mobile Embrace Limited. It signified the substantial and necessary transition for the company into an integrated mobile and digital communications company.



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Operating Results

(\$ million)	FY 2011	FY 2010	Variance
Revenue	\$8.82	\$12.07	(\$3.25)
Advertising expense	\$1.63	\$3.41	\$1.78
EBITDA	(\$0.98)	\$1.39	(\$2.37)
Depreciation and amortisation	\$1.12	\$1.20	(\$0.08)
Impairment of intangible assets	\$0.45	\$0.05	(\$0.40)
Impairment of Deferred Tax Asset	\$0.40	-	(\$0.40)
Net Profit After Tax	(\$2.59)	\$0.08	(\$2.67)

Due to the trading and regulatory environment impacting the legacy retail business, the company reduced advertising spend by \$1.78 million, (47.9% down on previous corresponding period), which resulted in a decline in revenue.

The company reduced overheads significantly during the fiscal year in response to the difficult trading environment, including a reduction in senior management headcount. Since the commencement of the new financial year overhead has been reduced further.

The requirements to transition the business were substantial and were achieved in an environment of increased pressure on the retail business and the significant reduction in overhead. The company invested \$2.5 million during the year into developing the company's new business units, focusing on growing its significant business-to-business (B2B) integrated mobile and digital communications positioning, namely Mobile Embrace.

During the year the company also increased its investment in majority held online racing and sports tournament site and betting agent TopBetta Pty Ltd.

Following the company's announcement of its acquisition of 50.1% in April 2010, TopBetta has been developed with the establishment of a Sports Betting License, 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.

RingRing Studios the company's content production and licensing division, continued to generate sales through the distribution of its mobile applications through its global network.

In other initiatives, the company:

- 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;
- Integrated the MIG SMS billing gateway platform along with the establishment of direct connections to the major Australian telecommunications carriers; and
- Announced a majority holding in a local joint venture with the UK's largest premium mobile advertising company, 4th Screen Advertising.

Mobile Embrace is now positioned to take full advantage of the strong brand that was developed in the business-to-business division. The change was symbolic of the company's increased focus on integrated mobile and digital communications.

The company's mobile web publishing platform enables the development of mobile websites that are automatically optimised for more than 12,000 mobile devices.

Utilising its 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.

Cashflow

In October the company raised \$300,000 through a placement of 10,000,000 fully paid ordinary shares to a sophisticated investor at a 43% premium to the closing price of MobileActive's stock on the previous day.

The funds raised from the issue were used for the expansion of the business and for working capital requirements of the company. As well as this capital raising, the company prudently secured a loan facility of \$1 million for an 18-month period. Debt drawn-down as at 31 August was \$261,000.

The company's cash at bank was \$108,136 at 30 June 2011, compared to \$829,511 at 30 June 2010.

As previously announced, additional funding is required to commercialise the business. On 30 June 2011, shareholders approved the issue of new ordinary shares to raise up to \$1.5 million with the funds to be used for working capital and repayment of debt.

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 possible.

DISCLAIMER

Forecasts and estimates may be materially different and may be affected by many factors such as the timely release of services, dependencies on carriers, the overall global economy, competition in the industry and other events beyond the control of or unforeseen by Mobile Embrace Limited.

About Mobile Embrace Limited

Mobile Embrace Limited (ASX:MBE) is Australia's leading integrated mobile and digital communications company.

The company enables businesses to embrace the mobile opportunity, to reach further than before to engage existing customers and to find new customers via the mobile phone with highly interactive mobile solutions.

Mobile Embrace makes it simple for its clients to integrate mobile into their business with fully integrated mobile messaging, publishing, and advertising platforms and services.

Combined with mobile marketing, mobile application (apps) development and m-commerce technology and services, these proven and robust platforms support high volume, seamless mobile enablement and customer acquisition solutions for business.

For more information see www.mobileembrace.com

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