ChimpChange



CHANGE FINANCIAL LIMITED

APPENDIX 4D – HALF YEAR REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Results

Half Year to 31 December	2017 US $	2016 US $	$ Change	% Change
Revenue from ordinary activities	428,891	161,106	+267,785	up 166%
Loss from ordinary activities	(5,314,631)	(3,964,338)	(1,350,293)	down 34%
Loss for the period attributable to members	(5,314,631)	(3,964,338)	(1,350,293)	down 34%
Basic EPS – cents per share (loss)	(7.4)	(6.9)	(0.5)	down 7%
Diluted EPS – cents per share (loss)	(7.4)	(6.9)	(0.5)	down 7%

Dividends

No dividend is proposed for the half year end 31 December 2017 (2016: nil).

Commentary

The commentary on the results of the period is contained in the Review of Operations in the Directors Report in this half year report.

This half year report is presented in the United States currency.

This Half Year Report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by Change Financial Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

This financial report covers the consolidated financial statements for the consolidated entity consisting of Change Financial Limited and its subsidiaries.

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DIRECTORS' REPORT

The Directors present their report together with the financial statements of Change Financial Limited (**Change Financial** or **Company**) consisting of Change Financial Limited and the entities it controlled at the end of or during the half year ended 31 Dec 2017 (**Group**).

Directors

The following persons were Directors of Change Financial Limited during the whole of the financial period and up to the date of this report unless otherwise stated:

Peter Clare
Ashley Shilkin
Ian Leijer
Teresa Clarke
Andrew Pipolo (appointed 1 August 2017)
Ben Harrison (resigned 28 November 2017)

Principal activities

The Group's principal continuing activity during the year was providing mobile banking services through the ChimpChange mobile application.

Review of Operations

It has been an exciting, high growth half-year for the Company. During the half-year, we changed the name of our parent company to reflect the evolution of the business beyond consumer bank accounts focused on the millennial demographics into new banking verticals. Through this diversification, Change Financial has now become a US-based award-winning fintech, banking software, and blockchain investment company consisting of three core business units: Consumer, Enterprise and Blockchain. The Company is pleased with our results in the first half of FY2018 and the progress we are seeing across our three divisions.

Our Consumer division continues to perform strongly with the ChimpChange banking platform seeing increased growth across key metrics. Transaction volumes increased to US$71.7 million for the 6 months ending December 31, 2017, an increase of 378% from the previous half-year (6 months ending December 31, 2016 of US$15.0 million). The Company's annualised transaction volume based on the month of December 2017 is US$167.2 million (A$214.0 million) up 196% from December 2016's US$56.6 million (A$78.5 million). Deposits onto the ChimpChange platform increased to US$35.5 million for the 6 months to December 2017, an increase of 368% from the previous half (6 months to December 2016 US$7.6 million). During the month of December 2017 customers deposited US$7.0 million onto the ChimpChange platform, up 192% from a total of US$2.4 million in December 2016. During the half-year, the number of live ChimpChange customer accounts increased by approximately 53,000.

Digital channels, namely Facebook and Instagram, have been the most successful customer acquisition channels for the Company. ChimpChange deploys a range of engaging marketing content on these channels, including stop-motion video, and user generated content. The Company is gaining deeper insights about customers each month, and will continue to refine its customer targeting with the aim of reducing the cost of acquiring valuable customers. By the end of the period, ChimpChange achieved an organic customer acquisition rate of nearly 33% and a blended cost of acquiring customers of less than US$14; a pleasing outcome given the rapid rate of customer acquisition through paid digital channels.

The Enterprise unit focuses on providing a turn-key, MasterCard certified Software-as-a-Service solution for US banks which is PCI compliant and capable of authorizing transactions. Change Financial continues to make large strides in the

development of enterprise solutions. The Company is nearing completion of the core infrastructure, built upon a globally scalable micro-services, cloud-based, API-driven infrastructure system for enterprise applications which will be ready by H1 CY18. An enterprise processing platform which involves a partnership with Mastercard (NYSE:MA), is in the pilot testing phase with first test cards printed during the recent half-year. The Company has signed a Memorandum of Understanding ("MoU") with a strategic business development partner that has connections to hundreds of US-based banks. Quantitative and qualitative brand development and selection for the new enterprise offering has also been completed.

The Blockchain unit pursues value-accretive investments in the burgeoning blockchain space. Change Financial made its first of many investments into blockchain technology during the recent half-year. Blockchain is a digitised, distributed, public ledger of most cryptocurrency transactions and the technology that underpins top cryptocurrencies such as Bitcoin, Ethereum and Ripple. Change Financial made the investment into this innovative blockchain and cryptocurrency technology to provide solutions for the US$1,250 trillion global payments market. In keeping with Change Financial's mission of creating better banking through innovative and leading technology, the Company invested in the Ivy Project, which is developing "ivyKoin", a cryptocurrency for business transactions including those over US$10,000. IvyKoin will embed critical Know Your Transaction ("KYT") and Know Your Customer ("KYC") information into transactions. Since the end of the period, the Company acquired a 33% equity interest in Ivy Koin LLC.

As of 31 December 2017, Change Financial team consists of 28 employees. The team the Company has built continues to grow in understanding and enthusiasm for the business. The board is proud of the work performed by Change Financial's marketing, engineering, product, customer support and corporate teams.

In August 2017 we were thrilled to add Andrew Pipolo to our Board of Directors. Andrew was previously managing director of PayPal in Australia and PayPal in Japan and brings a wealth of experience in payments and fintech more broadly from his time at PayPal and the companies that he has owned operated and consulted to since leaving PayPal in 2011.

As an early stage growth Company, the Board is thrilled to see the traction achieved over the last 6 months across the different channels and substantial value the Company is creating. My fellow Directors and I can clearly see the path to disrupting the payments industry in multiple ways and harnessing the monetisation potential across each over the coming months and years, and look forward to delivering value for shareholders over that journey.

Matters subsequent to the end of the financial period

Since 31 December 2017, the Group has acquired a 33% equity interest in Ivy Koin LLC which is planning to undertake an initial coin offering (ICO) and has entered into a number of agreements for the sale of future tokens to be issued by Ivy Koin. The funds that are being raised through this process are being held pending the Token Generation Event scheduled for Q1 in calendar year 2018.

Other than the matters disclosed above in relation to Ivy Koin LLC there are no other matters or circumstances that have arisen since the end of the financial period that significantly affect the operations of the consolidated group, the results of those operations or the state of affairs of the consolidated group going forward.

Likely developments and expected results of operations

Refer to the Review of Operations for further details.

Rounding

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2017/191, the amounts in the directors' report and the financial report have been rounded to the nearest dollar.

Dividends - Change Financial Limited

The Directors of Change Financial Limited do not recommend the payment of a dividend for the 6 months ending 31 Dec 2017 (2016: Nil).

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 7.

Auditor

Pitcher Partners continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2) of the Corporations Act 2001.

Dated 28 February 2018



Ashley Shilkin
Founder and Managing Director

AUDITOR'S INDEPENDENCE DECLARATION

PITCHER PARTNERS
ACCOUNTANTS • AUDITORS • ADVISORS

Level 38
345 Queen Street
Brisbane
Queensland 4000

Postal Address:
GPO Box 1144
Brisbane
Queensland 4001

Tel: 07 3222 8444
Fax: 07 3221 7779

www.pitcher.com.au
info@pitcherpartners.com.au

Pitcher Partners is an association of independent firms
Brisbane | Melbourne | Sydney | Perth | Adelaide | Newcastle

KEN OGDEN
NIGEL FISCHER
TERESA HOOPER
MARK NICHOLSON
PETER CAMENZULI
JASON EVANS
IAN JONES
KYLIE LAMPRECHT
NORMAN THURECHT
BRETT HEADRICK
WARWICK FACE
NIGEL BATTERS
COLE WILKINSON
SIMON CHUN
JEREMY JONES

The Directors
Change Financial Ltd
C/- 110 S Fairfax Avenue
#A11-177
Los Angeles CA 90036

Auditor's Independence Declaration
As lead auditor for the review of Change Financial Limited for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Change Financial Limited and the entities it controlled during the period.

PITCHER PARTNERS



JASON EVANS
Partner

Brisbane, Queensland
28 February 2018

An Independent Queensland Partnership ABN 84 797 724 539
Liability limited by a scheme approved under Professional Standards Legislation
Independent member of Baker Tilly International

an independent member of
BAKER TILLY
INTERNATIONAL

FINANCIAL REPORT

These financial statements are the consolidated financial statements of the consolidated entity consisting of Change Financial Limited and its subsidiaries.

The financial statements are presented in the United States currency.

Change Financial Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office is:

Corporate Administration Services Pty Ltd
Level 10, 110 Mary Street
BRISBANE QLD 4000

Its principal place of business is:

ChimpChange LLC
6922 Hollywood Boulevard, Ste 922,
Hollywood, CA 90028

The financial statements were authorised for issue by the Directors on 28 February 2018. The Directors have the power to amend and reissue the financial statements.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All press releases, financial reports and other information are available at our Shareholders' Centre on our website: www.changefinancial.com.au

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the 6 months ending 31 December	Note	2017 US$	2016 US$
Revenue	2	428,891	161,106
Employee benefits expense		(1,755,087)	(1,358,526)
Advertising & marketing expenses		(1,532,073)	(1,225,587)
Program fees		(1,072,341)	(348,995)
Consulting expenses		(300,740)	(227,660)
Professional services & insurance		(353,481)	(212,464)
Technology hosting		(174,444)	(114,561)
Depreciation and amortisation		(327,171)	(188,140)
Other expenses		(228,185)	(529,034)
Profit (loss) before tax		(5,314,631)	(4,043,861)
Income tax (expense) benefit	3	-	79,523
Profit (loss) from continuing operations		**(5,314,631)**	**(3,964,338)**
Basic loss per share (US cents per share)	7	(7.4)	(6.9)
Diluted loss per share (US cents per share)	7	(7.4)	(6.9)

The consolidated statements above should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 6 months ending 31 December	2017 US$	2016 US$
Loss of the year	(5,314,631)	(3,964,338)
Other comprehensive income		
Items that may be reclassified to profit and loss		
Exchange differences on translation of parent operations	(14,155)	(96,176)
Profit (loss) from continuing operations	**(5,328,786)**	**(4,060,514)**

The consolidated statements above should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 Dec 2017 US$	As at 30 Jun 2017 US$
Current assets			
Cash		4,835,682	9,467,512
Other receivables		288,990	85,449
Other current assets		69,848	85,135
Total current assets		**5,194,520**	**9,638,096**
Non-current assets			
Property, plant & equipment		98,322	104,701
Intangible assets	4	1,060,373	1,170,786
Total non-current assets		**1,158,695**	**1,275,487**
TOTAL ASSETS		**6,353,215**	**10,913,583**
Current liabilities			
Trade and other payables		171,788	234,837
Provisions		176,186	179,219
Other current liabilities		264,096	122,652
Total current liabilities		**612,070**	**536,708**
NET ASSETS		**5,741,145**	**10,376,875**
Equity			
Contributed equity	5	26,474,049	25,921,031
Reserves	6	3,991,780	3,865,897
Retained earnings		(24,724,684)	(19,410,053)
TOTAL EQUITY		**5,741,145**	**10,376,875**

The consolidated statements above should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Contributed Equity US$	Reserves US$	Retained Earnings US$	Total Equity US$
Balance at 1 July 2016	18,713,801	3,290,025	(10,643,511)	11,360,315
Profit (loss) for the year	-	-	(3,964,338)	(3,964,338)
Exchange differences on translation of the parent operation	-	(96,176)	-	(96,176)
Total	**-**	**(96,176)**	**(3,964,338)**	**(4,060,514)**
Transactions with owners in their capacity as owners				
Options issued	-	216,177	-	216,177
Contributions	-			
Total	**-**	**216,177**	**-**	**216,177**
Balance at 31 December 2016	**18,713,801**	**3,410,026**	**(14,607,849)**	**7,515,978**
Balance at 1 July 2017	25,921,031	3,865,897	(19,410,053)	10,376,875
Profit (loss) for the year	-	-	(5,314,631)	(5,314,631)
Exchange differences on translation of the parent operation	-	(14,155)	-	(14,155)
Total comprehensive income for the year	**-**	**(14,155)**	**(5,314,631)**	**(5,328,786)**
Transactions with owners in their capacity as owner				
Options issued	-	140,038	-	140,038
Contributions	553,018	-	-	553,018
Total	**553,018**	**140,038**	**-**	**693,056**
Balance at 31 December 2017	**26,474,049**	**3,991,780**	**(24,724,684)**	**5,741,145**

The consolidated statements above should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the 6 months ending 31 December	Notes	2017 US$	2016 US$
Cash flow from operating activities			
Receipts from customers		412,881	96,394
Payments to suppliers and employees		(5,386,975)	(3,715,272)
Interest received		16,010	64,712
Net cash used in operating activities		**(4,958,084)**	**(3,554,166)**
Cash flow from investing activities			
Payment for property, plant & equipment		(9,825)	(63,612)
Payment for software development		(200,554)	(449,686)
Net cash used in investing activities		**(210,379)**	**(513,298)**
Proceeds from financing activities			
Proceeds from share issue		553,018	-
Hedge deposit			(229,766)
Net cash provided by financing activities		**553,018**	**(229,766)**
Net increase (decrease) in cash held		**(4,615,445)**	**(4,297,230)**
Reconciliation of cash			
Cash at the beginning of the financial year		9,467,512	10,878,455
Net increase (decrease) in cash held		(4,615,445)	(4,297,230)
Foreign exchange difference on cash holding		(16,385)	(86,685)
Cash and cash equivalents at end of half year		**4,835,682**	**6,494,540**

The consolidated statements above should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

(a) Statement of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

(b) Basis of Preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in United States dollars, unless otherwise noted.

(c) Significant Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period except for the impact of accounting policies, Standards & Interpretations as noted below.

(d) Ongoing Operations

These financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

At 31 December 2017 the Group had net current assets of $4,582,450 including $4,835,682 cash and cash equivalents. For the half-year ended 31 December 2017 the Group incurred an operating cash outflow of $4,958,084 and a net loss for the period of $5,314,631.

Having regard to these results and twelve month forecast cash flows, the Directors are considering a number of funding alternatives and cash preservation initiatives. This strategy will be executed to ensure the Group has adequate working capital to fund ongoing operations.

Therefore the Directors are of the opinion that the going concern basis upon which the financial statements have been prepared continues to be appropriate.

(e) Comparatives

Where necessary to facilitate comparison, comparative figures have been adjusted to conform with changes in presentation in the current financial year.

(f) Adoption of new and revised Accounting Standards

The Group has adopted all new and amended Australian Accounting Standards and Australian Accounting Standards Review Board (AASB) interpretations that are mandatory for the current reporting period and relevant to the Group. Adoption of these standards and interpretations had not resulted in any material changes to the Group's half year financial report.

2. Revenue

6 months to 31 December	2017 US$	2016 US$
Revenue from services	412,881	96,394
Interest revenue	16,010	64,712
Total Revenue	**428,891**	**161,106**

3. Income tax

6 months to 31 December	2017 US$	2016 US$
Research & development benefit	-	79,523
Total income tax benefit (expense)	-	79,523

4. Intangible assets

	As at 31 Dec 2017 US$	As at 30 Jun 2017 US$
Software development at cost	2,038,705	1,838,151
Accumulated amortisation	(978,332)	(667,365)
Total software development	**1,060,373**	**1,170,786**

5. Issued capital

Share Capital

	As at 31 Dec 2017 US$	As at 30 Jun 2017 US$
73,331,546 fully paid ordinary shares[1] (30 June 2017 71,844,410)	26,474,049	25,921,031

[1] This amount excludes 6,036,457 shares issued under the Loan Funded Share Plan (LFSP). These shares will be recognised in Share Capital when the loan advanced under the LFSP to acquire those shares is repaid. Total fully paid shares on issue at 31 December 2017 is 79,368,003.

Ordinary shares entitle the holder to participate in the dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote and upon a poll each is share is entitled to one vote.

6. Reserves

	As at 31 Dec 2017 US$	As at 30 Jun 2017 US$
Share based payment reserve	3,797,103	3,657,065
Foreign currency translation reserve	194,677	208,832
Total reserves	**3,991,780**	**3,865,897**

7. Earnings per share

6 months to 31 December	**2017 US$000**	**2016 US$000**
Loss attributable to ordinary equity holders of Change Financial Limited	(5,314,631)	(3,964,338)
Weighted average number of ordinary shares used as a denominator in calculating basic earnings per share	72,086,878	57,330,640
Weighted average number of ordinary shares and dilutive potential ordinary shares used as a denominator calculating diluted earnings per share	72,086,878	57,330,640

8. Events occurring after the reporting period

Since 31 December 2017, the Group has acquired a 33% equity interest in Ivy Koin LLC which is planning to undertake an initial coin offering (ICO) and has entered into a number of agreements for the sale of future tokens to be issued by Ivy Koin. The funds that are being raised through this process are being held pending the Token Generation Event scheduled for Q1 in calendar year 2018.

Other than the matters disclosed above in relation to Ivy Koin there are no other matters or circumstances that have arisen since the end of the financial period that significantly affect the operations of the consolidated group, the results of those operations or the state of affairs of the consolidated group going forward.

DIRECTORS DECLARATION

In the opinion of the directors:

(a) the financial statements and notes set out on pages 8 to 16 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Australian Accounting Standards AASB 134 "Interim Financial Reporting" and the *Corporations Regulations 2001*; and

  (ii) giving a true and fair view of the group's financial position as at 31 December 2017 and of its performance for the half year ended on that date; and

(b) there are reasonable grounds to believe that the group will be able to pay its debts as and when they become due and payable; and

This declaration is made in accordance with a resolution of the directors.



Director

Hollywood
28 February 2018

PITCHER PARTNERS
ACCOUNTANTS • AUDITORS • ADVISORS

Level 38
345 Queen Street
Brisbane
Queensland 4000

Postal Address:
GPO Box 1144
Brisbane
Queensland 4001

Tel: 07 3222 8444
Fax: 07 3221 7779

www.pitcher.com.au
info@pitcherpartners.com.au

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KEN OGDEN
NIGEL FISCHER
TERESA HOOPER
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PETER CAMENZULI
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IAN JONES
KYLIE LAMPRECHT
NORMAN THURECHT
BRETT HEADRICK
WARWICK FACE
NIGEL BATTERS
COLE WILKINSON
SIMON CHUN
JEREMY JONES

INDEPENDENT AUDITORS REVIEW REPORT

To the Members of Change Financial Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Change Financial Limited, which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half- year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Change Financial Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Change Financial Limited is not in accordance with the *Corporations Act 2001* including:

a) giving a true and fair view of the company's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Pitcher Partners

PITCHER PARTNERS

J. J. EVANS
Partner

Brisbane, Queensland
28 February 2018