

12 September 2018

OpenDNA signs binding acquisition agreement and undertakes \$2.5m placement

Highlights

- Binding agreement signed to acquire CHOOSE Digital and RooLife, two synergistic businesses that are expected to drive revenue growth and provide opportunities to deploy OpenDNA's Artificial Intelligence System (AIS) across multiple industry sectors
- Proposed acquisition features low upfront consideration, with further payments subject to achievement of revenue milestones
- Key CHOOSE Digital and RooLife personnel will bolster OpenDNA's existing Board and Management team, providing significant additional industry experience and execution capability
- Firm commitments received to place \$2.5m worth of shares to sophisticated and professional investors, to fund acquisition and provide working capital for the enlarged OpenDNA business
- Intention to undertake Share Purchase Plan following successful completion of the Placement



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RooLife

Artificial Intelligence company OpenDNA Limited (ASX: OPN) ("**OpenDNA**" or the "**Company**") is pleased to announce that the Company has entered into a binding Heads of Agreement ("**HOA**") to acquire two Australian-based companies, CHOOSE Digital Pty Ltd ("**CHOOSE Digital**") and RooLife Limited ("**RooLife**"). Under the HOA, the acquisition of both companies ("**Acquisition**") forms part of a single transaction which is conditional, amongst other things, on due diligence and OpenDNA shareholder approval (anticipated to be sought as soon as possible).

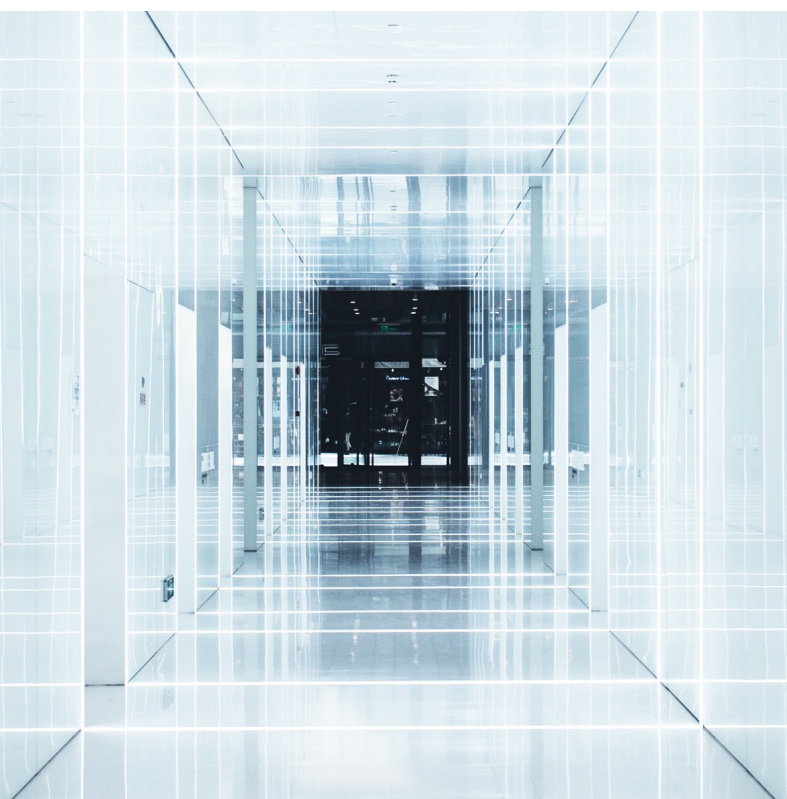
OpenDNA has also received firm commitments to place a total of 71,428,571 new fully paid ordinary shares ("**Shares**") to sophisticated and professional investors at \$0.035 per Share, together with one free attaching option for every two Shares ("**Options**"), to raise a total of up to \$2.5 million before costs ("**Placement**").

The Options will have an exercise price of \$0.05 per Share and an expiry date of 31 October 2021. Funds raised from the Placement will be used to complete the Acquisition and to provide working capital for the enlarged OpenDNA business, with a focus on unlocking strategic benefits between OpenDNA, CHOOSE Digital and RooLife and driving associated revenue opportunities.

About CHOOSE Digital

CHOOSE Digital is a fully-integrated digital marketing business which focusses on the development and implementation of customer acquisition strategies with a view to delivering strong returns on investment for its clients. The Performance Marketing arm of CHOOSE Digital helps businesses make the most of their online presence.

CHOOSE Digital helps customer brands craft and implement their digital marketing strategies to achieve their goals through measuring online traffic, monitoring conversions, optimizing paid advertising campaigns and web pages.



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Leveraging off its principals' combined experience of more than 40 years in digital marketing and optimization, CHOOSE Digital has developed a comprehensive range of services to cater to its clients' digital marketing needs which, coupled with significant investment in "best of breed" measurement tools and platforms, provides full transparency on which channels work best for clients depending on campaign objectives, target demographic and budget, including brand design, search marketing, app or web development and advertising.

About RooLife

Through its principals' detailed knowledge of the Chinese regulatory, operating and consumer environment, RooLife's objective is to provide Australian businesses with the ability to quickly establish their brand in China, in turn enabling them to enter the large and rapidly-growing Chinese market for consumer goods.

RooLife will provide Australian businesses with access to Mandarin-language mobile shopping platforms in China and Australia, with integrated mobile payment processing. The RooLife billing platform and technology will provide Australian businesses with the ability to bill customers in China using the preferred method for consumers to make purchases using their mobile phones (typically via WeChat or AliPay).

RooLife will focus on working with Australian businesses, to build and service sales channels for their products. To address the demand from Chinese consumers for high-quality, clean, safe and aspirational products from countries such as Australia, this work will initially focus on the following five industry sectors:

- Tourism;
- Australian wine;
- Australian dairy;
- Health foods and supplements; and
- Personal hygiene, skincare and cosmetic products.



Promoting Australian Industry to China



Anticipated Synergies

Leveraging off CHOOSE Digital's existing and growing customer base (recently expanded through the acquisition of Dash Digital's customer base from Velpic Limited (ASX: VPC)), CHOOSE Digital will enable OpenDNA to expand its sales and marketing arm and gain new customer opportunities to deploy its AIS across multiple industry sectors.

Similarly, servicing Australian businesses through the development of a Chinese-focused customer base, RooLife will provide an opportunity for the Company to introduce its offering into the massive Chinese market commencing with inbound Chinese tourism visitors to Australia and the ability to offer personalization capabilities to augment RooLife's services.



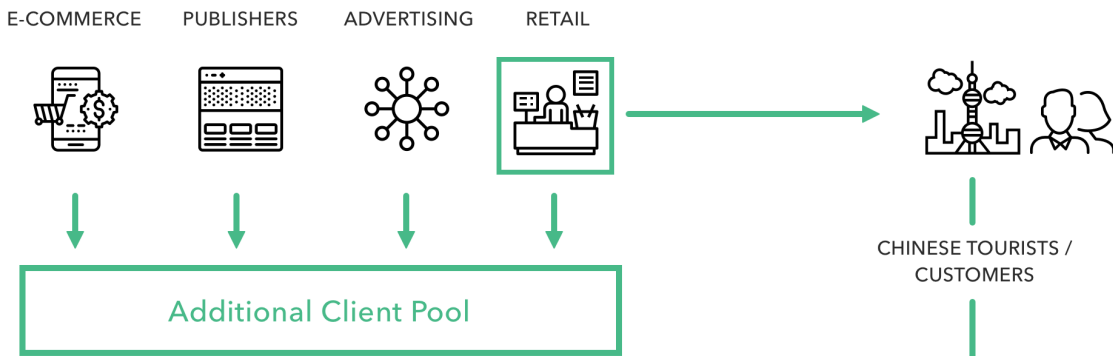
The synergies between OpenDNA, CHOOSE Digital and RooLife provide a unique and combined ability to provide digital marketing for Australian businesses in the domestic market targeting both domestic consumers and inbound Chinese tourists and the ability to market to Chinese consumers directly in China.

Deploying OpenDNA's AIS and associated capability across these two businesses will provide the ability to better understand individual consumer behavior and to maximise engagement, with a view to driving increased revenue for the combined businesses and its clients. Furthermore, by providing a unique understanding of Chinese tourists and consumers, OpenDNA has the opportunity to build invaluable market insights into Chinese consumer behavior.

The Acquisition of CHOOSE Digital and RooLife will also bolster OpenDNA's existing Board and Management team, with the targets' three principals to provide significant additional industry experience and execution capability.

The **Revenue** and **Services** model for OpenDNA, CHOOSE Digital and RooLife is depicted below:

CLIENT POOL



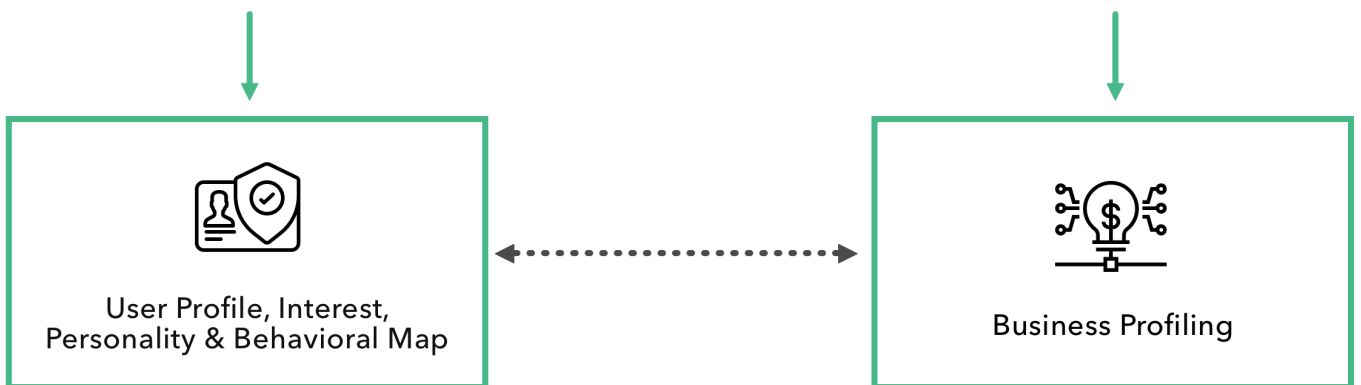
SERVICE OFFERING



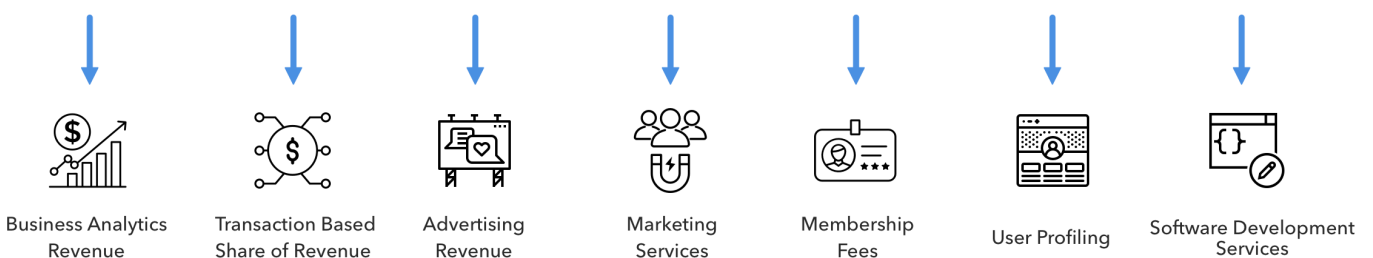
PRODUCT CATALOG



OpenDNA Profiling & Personalisation Engine



OpenDNA <> Choose Digital <> RooLife Revenue Generating Opportunities



Key Terms of the HOA

Under the HOA, OpenDNA has agreed to purchase all of the issued shares in each of CHOOSE Digital and RooLife as a single transaction (subject to satisfactory due diligence and confirmation of OpenDNA shareholder approval and any necessary regulatory approvals). The consideration for the Acquisition consists of both upfront and “at risk” components, with the majority of that consideration being non-cash and based on the achievement of revenue milestones. Details of the consideration are as follows:

- On completion of the Acquisition (“**Completion**”), OpenDNA will pay the Acquisition vendors a total aggregate cash amount of \$200,000. A total of approximately 15.24 million OpenDNA shares will also be issued to the Acquisition vendors, based on an agreed price of \$0.035 per share, which will be subject to voluntary escrow for a period of 12 months.
- At Completion, the Acquisition vendors will also be issued with approximately 30.5 million performance shares, which will be split equally into two tranches and will be subject to conversion into fully paid ordinary shares in the capital of OpenDNA upon achievement of the following milestones:
 - the Tranche 1 performance shares will convert into shares in OpenDNA on a one-to-one basis upon the CHOOSE Digital and RooLife businesses first achieving aggregate revenue of \$1.8 million in a rolling 12-month period (as confirmed by audited financial statements); and
 - the Tranche 2 performance shares will convert into shares in OpenDNA on a one-to-one basis upon the CHOOSE Digital and RooLife businesses first achieving aggregate revenue of \$3 million in a rolling 12-month period (as confirmed by audited financial statements),

provided that, should either of the above revenue milestones not be achieved within 5 years of Completion, the corresponding tranche of performance shares to which that milestone relates will lapse automatically.

Full terms of the performance shares proposed to be issued to the Acquisition vendors will be set out in the notice of meeting relating to the approval of the Acquisition, which will be prepared by the Company shortly for sending to shareholders.

In parallel to the HOA, OpenDNA has also entered into a binding agreement (“**Option Agreement**”) with Orcoda Limited (“**Orcoda**”), pursuant to which the Company has obtained the exclusive option for a period of 90 days to acquire an existing Hong Kong and Chinese corporate structure which will facilitate deployment into China of the RooLife business model referred to above. The Option Agreement replaces a previous exclusivity arrangement which had been secured by the Acquisition vendors and involves the upfront payment to Orcoda of a \$50,000 exclusive option fee followed by a further acquisition payment of \$150,000 should the Company elect to exercise its option. Subject to satisfactory due diligence, the intention is that the option would be exercised contemporaneously with Completion of the Acquisition.

With effect from Completion, Mr Warren Barry will join the OpenDNA Board as Executive Director and Messrs Bryan Carr and Gary Knights will assume executive roles within the Company, having responsibility for the integration and operation within the OpenDNA structure of the Acquisition target entities. Details of each of those key persons are set out below.

Warren Barry

Warren has been involved in the digital space for over 20 years and has been actively involved in listing several companies. He has set up and sold several digital agencies over the years, most recently Blackglass Pty Ltd and former ASX-listed company The Gruden Group Ltd.

Warren has a BSc from UNSW and an MBA from UWA. His key area of focus is developing online strategies for companies and working with them on developing ways to commercialise and monetise their digital footprint. Warren has worked extensively with Bryan over the past 7 years exploring business opportunities in China and help building the RooLife business model. He has worked with several high-profile clients including Telstra, AFL, CUB, Betta, Sydney Airports, Adelaide Airports, Curves Gym, Shop a Docket, Sealink and The Agency Partners.

Bryan Carr

Bryan is an experienced ASX public company Chief Executive Officer and Director with a strong business acumen and comprehensive corporate governance, finance, capital raising and risk management expertise.

In addition to an extensive career in the Australian corporate environment, Bryan has significant China-based business experience, including 10 years based in Beijing, where he developed a thorough understanding of the complexities of operating in this unique and rewarding market and has attained an enviable understanding of China and Hong Kong's corporate, regulatory and taxation requirements. Bryan has a proven track record across a diverse range of disciplines incorporating technology product development and commercialisation projects, including:

- founding and growing businesses providing cross-jurisdictional mobile payment systems (Fintech);
- development and delivery of mobile and internet-based e-Commerce solution; and
- overseeing the development of logistics management systems.

Bryan was most recently responsible for the management of SmartTrans (ASX:SMA) companies operating in Australia, Hong Kong and China and for associated ASX and investor relations.

Gary Knights

Gary has over 20 years' experience in the digital industry, working as a Digital Creative Director for various organisations in that time. Gary has built several digital teams from the ground up over that time for Chrome Global, George Patterson Bates and PPR (Professional Public Relations). He was also a founding partner of Chromium, along with Warren Barry, which was merged with two other companies and ultimately listed on the ASX.

Over his career, he has worked with such brands as Telstra, Clough, Communicare, RosterElf, CUB, AFL, The Agency Partners, The ABN Group, Webb & Browne-Neaves, Dale Alcock Homes, Celebration Homes, Distinctly Tourism Management as well as various publicly listed companies. He has delivered various digital strategies encompassing websites, mobile apps, EDM campaigns, banner campaigns, SEO, SEM and social media.

Placement and proposed SPP

As indicated above, under the Placement the Company will issue up to a total of 71,428,571 new fully paid ordinary shares ("**Shares**") to sophisticated and professional investors at \$0.035 per Share, together with one free attaching option for every two Shares ("**Options**"), with each option having an exercise price of \$0.05 per Share and an expiry date of 31 October 2021. Subject to satisfying the ASX listing criteria, the Options are intended to be quoted on ASX.

The Placement will be undertaken in two tranches, the first of which will utilise OpenDNA's existing placement capacity under ASX Listing Rules 7.1 and 7.1A. Under the first tranche, which is not subject to shareholder approval, approximately 11.5 million new Shares and 5.7 million associated Options will be issued to raise approximately \$400,000 before costs. It is expected that the tranche one Shares and associated Options will be issued on or about 19 September 2018.

At the same time, approximately 6.8 million Shares at a deemed value of \$0.035 per Share and a further 1.5 million Options will be issued by the Company under Listing Rules 7.1 and 7.1A to settle outstanding amounts due to various creditors, including professional advisors and employees. The new Shares issued will be issued on the same terms as, and will rank equally in all respects with, the existing fully paid ordinary shares in the Company.

The second tranche of the Placement, which is subject to shareholder approval, comprises 60.0 million Shares and 30.0 million associated Options to raise approximately \$2.1 million before costs. The Company will seek shareholder approval for the issue of the tranche two Placement Shares and Options at its 2018 Annual General Meeting, to be held as soon as possible (and anticipated to be in late October or early November).

Following successful completion of the Placement, the Board intends to undertake a Share Purchase Plan ("**SPP**") to enable existing holders to subscribe for up to \$15,000 worth of Shares at a discount to market price and without incurring any brokerage fees or other transaction costs. Confirmation of and further details in relation to the SPP will be announced in due course.

Use of funds

Funds raised from the Placement will be applied to fund the cash component of the acquisition of CHOOSE Digital and RooLife, integration of both businesses within OpenDNA's corporate environment and to fund the ongoing working capital requirements of the enlarged group.

Lead Manager and Corporate Advisor

Triple C Consulting Pty Ltd ("**Triple C**") is acting as Lead Manager to the Placement. Triple C is a boutique, full service stockbroking firm with a strong and established presence in both the resources and technology sectors. As part of its arrangements with Triple C, who will also act as Corporate Advisor to OpenDNA following the Placement, the Company has agreed to issue 20 million Options to Triple C subject to at least \$2.5 million (before costs) being raised under the Placement.

The Company has also agreed to issue 3.5 million Options to Storm Enterprises Pty Ltd ("**Storm**") for its assistance in relation to the Placement. The Options to be issued to Triple C and Storm will be subject to shareholder approval and will be issued on the same terms in all respects as those to be issued under the Placement.

Commenting on the acquisition, OpenDNA's Chairman, Grant Pestell, said:

"The acquisition of CHOOSE Digital and RooLife provides a significant opportunity to unlock multiple synergies for the enlarged group. CHOOSE Digital is a complementary business to OpenDNA, that will bolster our sales and marketing team as well as expand its customer base. CHOOSE Digital is cashflow positive and has an existing and growing customer base, providing opportunities for OpenDNA's AIS to add value, whilst RooLife provides an immediate entry point into the Chinese market and an opportunity to rapidly scale the business."

ENDS

For further information, please visit the OpenDNA website at www.opendna.ai or contact:

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About OpenDNA Limited

People are not categories. People are individuals.

OpenDNA is an Artificial Intelligence company that enables businesses to better understand their individual users by building detailed psychographic, personality & behavioural maps of those users; giving them the most personalized, relevant and targeted experiences possible. The technology has been proven to improve user engagement and retention, in turn creating the ability for OpenDNA's customers to increase revenue.

opendna.ai

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Registered as: OpenDNA Limited

ACN: 613 410 398