

Date: 28 October 2015

Business Description

Peppermint operate an established Mobile Banking, Payments and Remittance Platform, and develop new and mobile phone applications aimed at providing financial inclusion to the unbanked, improving business efficiency and deriving revenue for commercial clients and agent networks

Factset, DJC Research
Directors

Christopher Kain	Managing Director
Anthony Kain	Executive Director
Matthew Cahill	Non-Executive Director
Leigh Ryan	Non-Executive Director

Peppermint Innovation Limited
Mobile Financial Services for the Emerging Markets

Chrysalis Resources (CYS) is in the process of undertaking a re-compliance listing on the ASX and will be renamed Peppermint Innovation.

Summary Key Points

Emerging market financial services platform: Peppermint operate an emerging market financial services platform in the Philippines. The Philippines is an emerging market with a population of circa 100 million people and some 75% of Filipinos are currently unbanked but mobile phone penetration is 100%. Due to the lack of economic opportunities in the rural areas many Filipinos are economic migrants who move to major centres or overseas looking for work. It is therefore necessary for these economic migrants to send money back to their dependants to support them and Peppermint technology will help enable this process in a cheaper more secure manner than current traditional remittance methods.

Technology Already Developed and Deployed: Peppermint's technology is already developed and deployed. Some USD\$9.5m and four years of development has already gone into developing the platform. The Peppermint platform is a full feature mobile banking platform that supports mobile banking from traditional banks, mobile remittances and ATM switching. Before developing this platform key members of the Peppermint development team were the same team who built Globe Telecoms GCash platform. They therefore have a deep knowledge and understand of the remittance and banking application landscape in the Philippines.

Peppermint has a Multiple Channel Commercialisation Strategy:

White Label Mobile Banking Products: Peppermint has already implemented its mobile banking platform at three of the top ten deposit taking banks in the Philippines; Metrobank, Unionbank and UCPB. Currently 44,000 customers from these banks use the Peppermint platform and user numbers are expected to grow strongly in the coming years. Peppermint charge for the use of its technology per transaction so as the usage of mobile banking scales, Peppermint's revenue from this part of the business will grow in concert with the growth in mobile banking.

Mobile Remittances: Building on its already deployed mobile banking platform Peppermint has developed a mobile remittance platform to capture transactional flow that is currently outside of the traditional banking system. The domestic remittance market is estimated at 534 million transactions per year generating USD\$1.14 billion in transaction revenue and while there are already other mobile remittance platforms in place, the market is large enough to support additional platforms as there are still large amounts of remittances being transferred via traditional more expensive methods. The key to a successful mobile phone remittance implementation hinges on the network effect. Peppermint has entered into an agreement with a marketing companies in the Philippines 1BRO and MyWeps. 1BRO has some 60,000 agents and 40 business centres spread out over the country. This large network will drive adoption of the Peppermint mobile remittance platform.

Analyst Details

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Main Points

Emerging market financial services platform.

Peppermint operate an emerging market financial services platform in the Philippines. The Philippines is an emerging market with a population of circa 100 million people. Some 75% of Filipinos are currently unbanked but mobile phone penetration is 100%.

In developing countries most economic activity is concentrated in the urban areas but generally a large portion of the population live in rural areas where economic opportunities are limited. Therefore people leave the rural areas to look for work and often leave their families and dependents behind. These economic migrants can be based in urban areas or further afield in other countries. There are large concentrations of Filipino economic migrants in the Middle East, Hong Kong, Singapore, Malaysia and the United States. However there is also a large amount of domestic economic migrants which far outnumber overseas Filipino workers.

These economic migrants therefore need to send money from the urban areas to their dependants in the rural areas. These money transfers which are of a relatively low value are called remittances. In developing countries like the Philippines, the government often lacks the resources to provide support for rural people making them wholly dependent on these remittances from the working population in the urban centres.

Approximately 30% of the Filipino population live below the poverty line and receive very little government support. Therefore it is not uncommon to find one economically active person supporting several economically inactive people in another location. Economic migrants need to transfer money to the people they support in a cost effective safe and secure manner. As with most developing countries not many people have bank accounts and banking infrastructure is often limited in rural and remote areas.

Traditionally in the Philippines these remittances have been provided formally by banks, credit card companies, the postal service, microfinance organisations and various NGOs. Due to the fact some 75% of the population is unbanked there is also a large informal remittance network from friends, relatives, pawnshops and truck drivers. This form of remittance is expensive and can cost the person up to 25% of the value of the remittance in fees and considering most remittances are small amounts, this loss of value is material to the senders and recipients.

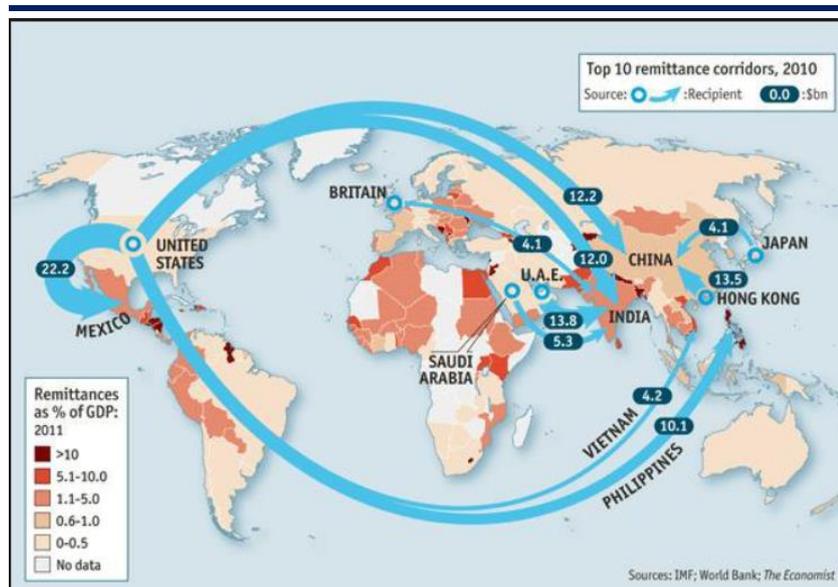


Figure 1: Global Remittance Flows

Source: IMF, World Bank, Economist

The most successful mobile phone remittance implementation in a developing country is in Kenya where more than 50% of the population use the M-Pesa service to send money via mobile phone. M-Pesa was launched in 2007 and it allows users to deposit, withdraw, transfer money and pay for goods and services. Agents who are a key part of the network enable users to deposit and withdraw cash from their accounts. These agents are not banks but are retail outlets and even individuals. In 2013 M-Pesa had over 17.1 million subscribers and generated USD \$252 million in net revenue.



Figure 2: An M-Pesa Agent in Kenya

Source: The Guardian

Thanks to the proliferation of mobile telephones across the world there has been a growth in remittances via mobile phones. The Philippines is one of the most developed mobile phone markets in the developing world with penetration at circa 100% and Filipinas are highly phone literate as well.

There are several mobile remittances operators in the Philippines and thanks to its large international diaspora remitting money back to the country from international destinations, it was one of the early markets to embrace mobile remittances.

The incumbent remittance operators in the Philippines are generally focussed on the international remittance market or are mobile phone carrier dependant. There are already two successful operators in country; GCash from Globe telecom and SMART Money in partnership with Banco de Oro. The central bank of the Philippines, Bangko Sentral ng Pilipinas has already enacted legislation that supports the development of mobile money industry. Considering the size and sophistication of the market there is space for several more providers.

Technology Already Developed and Deployed: Peppermint's technology is already developed and deployed. Some USD\$9.5m and four years of development has already gone into developing the platform. The Peppermint platform is a full feature mobile banking platform that supports mobile banking from traditional banks, mobile remittances and ATM switching. Before developing this platform key members of the Peppermint development team were the same team who built Globe Telecom's GCash platform. They therefore have a deep knowledge and understand of the remittance and banking application landscape in the Philippines.

Peppermint has a Multiple Channel Commercialisation Strategy:

White Label Mobile Banking Products: Peppermint already has implemented its mobile banking platform at three of the top ten deposit taking banks in the Philippines; Metrobank, Unionbank and UCPB. Currently 44,000 customers from these banks use the Peppermint platform and user numbers are expected to grow strongly in the coming years. The Filipino banks as with most banks around the world, are realising that mobile banking is a far cheaper way of interacting with customers and as a result they are pushing their clients towards the mobile banking platform. Peppermint charge for the use of its technology per transaction so as the usage of mobile banking scales, Peppermint’s revenue from this part of the business will grow in concert with the growth in mobile banking.

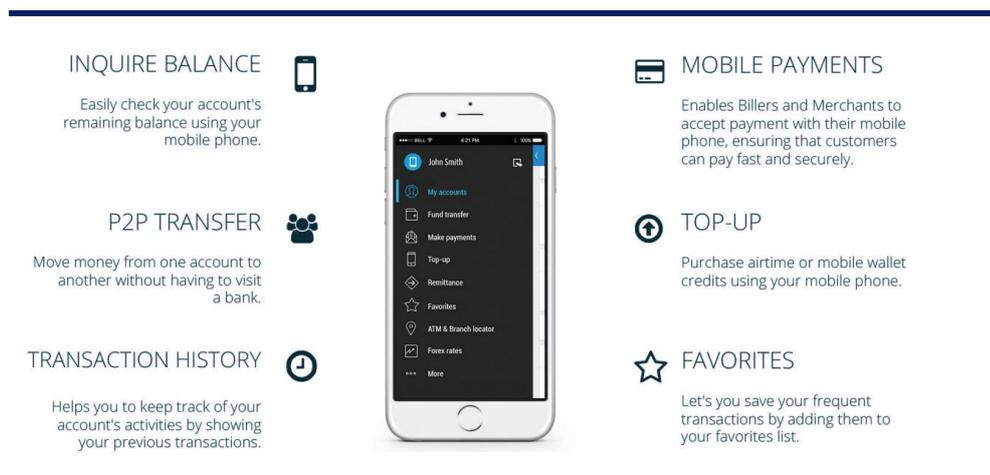


Figure 3: Peppermint Mobile Banking Application

Source: CYS

Mobile Remittances: Building on its already deployed mobile banking platform Peppermint has developed a mobile remittance platform to capture transactional flow that is currently outside of the traditional banking system. Approximately 75% of Filipinos do not have bank accounts but rely on expensive traditional remittance methods or the several established remittance networks. The domestic remittance market is estimated at 534 million transactions per year generating USD\$1.14 billion in transaction fees and while there are already other mobile remittance platforms in place, the market is large enough to support additional platforms as there are still large amounts of remittances being transferred via traditional more expensive methods.

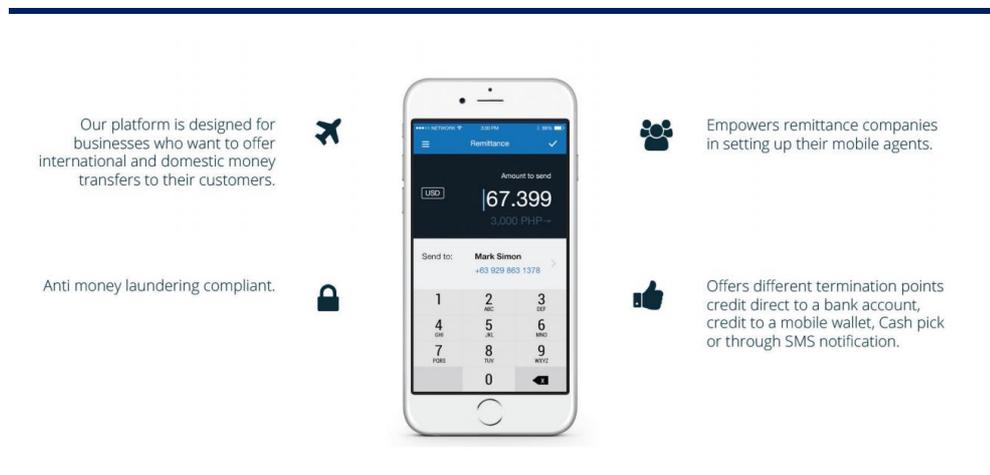


Figure 4: Peppermint Remittance Application

Source: CYS

Information Memorandum

The key to a successful mobile phone remittance implementation hinges on the network effect. It is critical that a large amount of people use the system as this encourages more users to sign up further encouraging growth. To this end Peppermint has entered in an agreement with a marketing companies in the Philippines 1BRO and MyWeps. 1BRO has some 60,000 agents and 40 business centres spread out over the country. This large network will drive adoption of the Peppermint mobile remittance platform. Peppermint and 1Bro agents will share in the revenue earned from the commissions charged on each transfer.



Figure 5: The Peppermint Remittance Application branded by MyWeps Source: CYS

The partnering with an established marketing network will also help Peppermint gain trust from its users which is an important element in developing a successful mobile remittance business.

- 1 PAY BILLS
Pay a bill, merchant or organization. This includes most credit cards, utility bills, loans, school tuition fees and communication companies.
- 2 P2P TRANSFER
P2P transfer funds between two banks. (Domestic and International)
- 3 SEND GIFT CARDS / RECEIVE COUPONS
Send gift cards or receive store coupons.
- 4 PAY FARES
Easily pay for your transport fare using your mobile phone.
- 5 PURCHASE PRODUCTS
Shop and pay easily with your mobile phone.
- 6 PURCHASE AIRTIME
Top up credits on your phone and other people's phones.



Figure 6: Peppermint Transaction Ecosystem

Source: CYS

Information Memorandum

Mobile Shopping Application: Peppermint also has the ability to allow its mobile remittance users and mobile banking customers to pay for goods and services online or on mobile directly from their mobile wallet and/or bank account.

Targeting Micro Finance Institutions (MFI) and the Unbanked Population: Peppermint has piloted a micro-finance collection service and established relationships with MFI's and rural banks. It is currently in discussions with Grameen who operate across 23 countries and service 155m clients.

Details of the Offer

Timetable

Lodgement of Prospectus with the ASIC.	16 October 2015
Opening Date of the Offers.	16 October 2015
Closing Date of the Offers.	13 November 2015
Settlement of Peppermint Acquisition (Issue of Consideration Securities, Public offer Shares and other pursuant to the Term Sheet and Prospectus.	18 November 2015
Anticipated date for the re-admission to ASX and suspension of trading lifted.	24 November 2015

Key Statistics of the Offers

Shares currently on issue	345,484,128
Shares to be issued to Peppermint Shareholders	350,000,000
Performance Shares to be issued to Peppermint Shareholders	100,000,000
Public Offer issue price	\$0.02
Maximum Shares to be issued under Public Offer ⁽¹⁾	200,000,000
Shares to be issued to DJ Carmichael and Leigh Ryan	5,250,000
Shares on issue Post-Acquisition⁽²⁾	900,734,128
Performance Shares on issue Post-Acquisition⁽²⁾	100,000,000

Notes:

1. Assuming the maximum subscription of \$4 million is achieved under the Public Offer.
2. Assuming no additional Securities are issued

Allocation of funds	Minimum Subscription (\$3,500,000)	Percentage of Funds (%)	Maximum Subscription (\$4,000,000)	Percentage of Funds (%)
Marketing and business development of the Peppermint Platform ⁽¹⁾	\$1,500,000	43%	\$1,800,000	45%
Product development ⁽²⁾	\$500,000	14%	\$500,000	12.5%
Finance Facility ⁽⁴⁾ & Fundraising fees/costs along with associated legal and accounting fees	\$700,000	20%	\$732,000	18.3%
Working capital ⁽³⁾	\$800,000	23%	\$968,000	24.2%
TOTAL	\$3,500,000	100%	\$4,000,000	100%

Notes:

1. Marketing and business development costs will be the costs of selling the Peppermint Platform to new commercial clients, the cost of servicing clients including training and software

upgrades/repairs, the costs of incentive programs and promotion of the Peppermint Platform with old and new clients.

2. *Product development costs will be used for the continued development of the Peppermint Platform for MyWeps, and development of the Peppermint Platform to support bids on new commercial client contracts.*
3. *Working capital will be used to cover operating costs for the Company (and its subsidiaries) and for the provision of administration services and facilities for its personnel in both the Philippines and in Australia.*
4. *This relates to the estimate outstanding under a loan facility in place to support operations until the Company is relisted.*

Directors and Management

Christopher Kain – Managing Director

Practised Company Director with over 15 years' experience in Finance and Investment Markets who is accomplished in identifying business opportunities and executing commercial strategies for the benefit of both stakeholders and investors. Mr. Kain has specific expertise in investment evaluation, public and private capital raising programs, debt funding strategies and, project development and financing.

Previous advisory and development roles with institutions such as Barclays Capital and Credit Suisse First Boston in London, National Australia Bank and Macquarie Bank in Australia where he worked across institutional, wholesale and retail investment and financial markets.

Anthony Kain – Executive Director

Former principal and special counsel in local and national law firms, Mr Kain has over 20 years' experience working in Australian capital markets. He has played a key role in the formation of numerous privately owned and publicly listed companies and has an in-depth understanding of intellectual property and its commercialisation. He also has considerable experience as a director and also a Managing Director of Australian Stock Exchange listed companies operating foreign assets.

Previous advisory roles on capital raising, joint ventures and mergers and acquisitions through his exposure to a diverse range of international and national development opportunities working with technical teams primarily in the energy, motor vehicle and resources sector.

Matthew Cahill - Non-Executive Director

Accomplished Technical Director with over 16 years' experience in the Web Industry working across a broad range of technologies and has been involved in roles such as Management, Strategy, Team Lead, Business Analysis, Application Architecture and Development. As Technical Director at Vivid Group (now Isobar of Dentsu Aegis Network), Mr. Cahill has worked with some of Australia's largest brands, including Sunbeam, JB HiFi, Echo Entertainment, Fusion Retail Brands, Coates Hire and many more. Mr. Cahill's responsibilities included guiding the technical direction of the company, along with leadership of the large development teams that spanned multiple disciplines and technologies.

Leigh Ryan - Non-Executive Director

Mr. Leigh Ryan is a non-executive Director and a Member at Australian Institute of Geoscientists. He is on the Board of Directors at Chrysalis Resources Ltd. Mr. Ryan was previously employed as Non-Executive Director by Attila Resources Ltd. and a Managing Director & Director by Boss Resources Ltd. He received his undergraduate degree from James Cook University and a graduate degree from The University of Western Australia.

Rosarito Carrillo – Chief Operating Officer & General Manager

Experience and expertise in the fields of sectorial analysis and development, global business relations, project management, advocacy and policy review. She has also managed the business development and advocacy relations for Litton Mills, Inc., with representations made in ASEAN and in the US. Previously held the position of Philippine Associate Director for the Confederation of Garment Exporters of the Philippines (CONGEP), where she handled industry technical development, strategic partnership and advocacy programs supporting sectorial growth.

Adrian Ocampo – Chief Technical Officer/Marketing Manager

Mr. Ocampo was one of the co-founders of Telupay who helped build out Telupay's mobile banking and payment technologies. Prior to Telupay, Mr. Ocampo spent 6 years as President of an IT consultancy company, Arowai IT Solutions. During his tenure, he and his team of technologists were engaged by Globe Telecom to build Globe's G-Cash mobile remittance platform in 2006.

The team continued to be engaged by Globe until he left in 2009 to co-found Telupay. He also served the JCI Makati Philippines for three years as member of the board of directors and Vice-President.

Marlon Portugal – Business Development Manager

Predominant experience is in Information Technology and System Security Integration. Fourteen years in the field of computer, network design and services, operations, marketing and management. Experience also in the setting-up and maintenance of computer equipment, network equipment and local and wide area network infrastructure, and additionally been involved in the planning, designing and installation of different network system and installed network structured cabling for government and private institutions. He did several maintenance services of LAN/WAN connectivity and formulate backup scheme, recovery and firewall for DELL, HPQ, IBM Server of a multinational company.

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The Author of this report made contact with **Peppermint Innovation Ltd** for assistance with verification of facts, admittance to business sites, access to industry/company information. No inducements have been offered or accepted by the company.

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