



November 2013

## LETTER FROM THE CHAIRMAN

Dear Shareholders

Throughout the past year we have made several announcements explaining our strategy around developing customised mobile communities, together with our progress towards its execution. The following is an update and overview of what MOKO Social Media is setting out to achieve. This overview should be read in conjunction with the Company's ASX announcements, for more specific details.

We are also pleased to welcome many recent new shareholders, who join our long standing supporters who have been with us since we first listed on the ASX in 2007, and others that have joined us along the way when we raised additional capital in subsequent years. We acknowledge all of you as important owners of MOKO as I take this opportunity to provide a general update.

When our CEO Ian Rodwell founded MOKO in 2004, he had a vision that one day mobile would play as important a role in social media, as does the internet. Just exactly how this would manifest itself was unclear at the time. However Ian's insight has been proven correct with the ownership and functionality of mobile devices now significantly surpassing laptops and desktops.

As much as the growth in mobile content usage has soared in recent years, there are still challenges to monetise mobile activity, particularly if you don't "own your own audience". Without an established and incumbent user base, mobile businesses can be vulnerable to market whims, rapid technological change and heavy marketing costs. Acquiring, retaining and engaging a mobile user base can be difficult and there is a risk of users migrating elsewhere if there are several alternative apps or mobile sites with similar content that users can access. This is why MOKO is focussing only on exclusive agreements where we can "own the user". With this in mind, we have focussed on pre-existing and sufficiently large interest groups or communities, where frequent dissemination of content is imperative to the relationship between the organisation and its members.

As a result of these efforts, in March this year we were delighted to secure a deal with American Collegiate Intramural Sports (ACIS) to build an app for the sharing of student sporting, recreational and fitness information that would cover more than 200 US colleges. Thus REC\*IT was born. In September we announced another important deal, this time with IM Leagues LLC, which combined with ACIS, provides MOKO with access to over 600 top tier American universities and an addressable audience of approximately 10 million students. These agreements involve MOKO having exclusive mobile rights to student data and to distribute relevant community content on campus via our REC\*IT mobile app.

REC\*IT will be a highly customised and purpose built mobile tool, provided free to these colleges and their students to enable tracking and dissemination of information about sports, recreational activities, fitness and other leisure activities including schedules, fixtures, results, daily alerts and diary/planners. MOKO will generate revenue from selling mobile advertising to sponsors, ad networks, consumer businesses and others wanting to reach the prized college student market.

The build-out phase of REC\*IT is undergoing the last leg of its core technical development and is expected to be completed by the end of January 2014, leading to a "pilot" phase across 20 colleges, followed by full roll out in the new college year in late August 2014.



MOKO is actively working to sign up further partnerships with compelling content and large membership or user bases, which are looking for a bespoke mobile application or platform for their communities. This is why we refer to our market space as “mobile social advertising” – because our business model is founded on selling highly targeted advertising to a community/social user base, where we provide a free mobile platform to share content and interact efficiently between the community organiser or governing body and its members.

In pursuing this focused mobile advertising strategy we made three key decisions. The first was to secure exclusive deals where we could “own the audience” and not be constantly chasing user access through a third party, or spending large sums on marketing to acquire the users. Second, we believed shareholder value and potential economies of scale could be achieved if we concentrated our business in the United States. Of all the international markets, the size and scalability of the US market and its consumer spending power provided greater scope for the growth of our business. Third, in securing these deals, they needed to encapsulate exclusive content or information with a “must have” element to ensure “stickiness” and frequency of interaction by the users, making the end product more of a tool than a toy.

Already more than half our employees are now located in either our New York or Washington DC offices and our existing projects are all focussed entirely on the domestic US marketplace.

Finally, I turn to corporate matters. Last month we announced a successful and oversubscribed placement of \$4 million. These funds provide us with a deeper resource base for the development and roll out of the enlarged REC\*IT project, new business development and to pursue a NASDAQ listing. We believe the NASDAQ listing will potentially give us access to more favourable valuations, better priced capital and exposure to other partners, including larger digital media companies. If successful, the current schedule should see MOKO commence trading on NASDAQ in February 2014. Given a key pillar to our strategy is to pursue the Company’s business in the US and for the reasons we have outlined above, the board believe it is appropriate that we seek to list our shares on a primary US exchange, whilst maintaining our ASX listing.

In conclusion, we believe that the Company specifically, and the mobile social advertising sector generally, is entering an exciting phase. We are pleased with our progress to date and see several other growth opportunities. However, we do not underestimate the importance of firstly making the REC\*IT project successful both as a communications tool and revenue generator.

I trust this overview has helped you gain a better understanding of what we are working to achieve and will also provide a framework for you to assess our progress.

Thank you for supporting MOKO Social Media.

A handwritten signature in blue ink, appearing to read "Greg McCann", is positioned above the printed name and title.

Greg McCann  
**Chairman**