

eStar Shareholders Update May 2016

Dear Shareholder,

We are pleased to be able to give you an update on the performance of eStar for the March 2016 Financial year. The delay in this update has been due to the leadership team focus on a major sales initiative, and subsequently the April Board meeting was delayed into May. This sales initiative is with a major Australasian retailer and the results were expected in May. The process has been extended by the client and the result is now not likely to be known until at least August. We are still confident that our proposal is being viewed very favourably by the client. Of most interest is that we appear to be in competition with two tier one providers. This whole process has given us confidence in the strategy we have set upon over the past 18 months.

We have made substantial progress in the last financial year as we have invested for growth. Reported revenue will be up over 4% on last year, but has increased over 33% on a like for like basis as we have replaced a significant client's revenue, which left eStar in 2014. Total sales for the 2016 year will be \$5.7 million. Over 90% of our revenue comes from existing clients which gives us a strong platform on which to build. Last year we invested significantly in the people we need to deliver our growth strategy. We now believe we have a strong leadership team that is retaining clients, building our market presence, and developing the business to be readily scalable.

We remain the largest eCommerce solutions team in Australasia with a team of over 60, the majority of whom are based in Christchurch, and we now have a team of 12 based in Melbourne. As was planned this investment has meant our costs were going to increase, these were 25% higher than last year, which will mean a reported loss of between \$1.8 to \$2.0 million as compared to a budgeted loss of \$1.45 million.

The Board is confident in the progress eStar has made over the last year and that the investment in people and capacity will show through in meaningful ongoing revenue growth over the next few years.

The level of client engagement and the quality of enquiry are both noticeably more elevated. We are now talking to more enterprise level prospects. Our sales pipeline is more solid and feel we are getting better at validating and converting these enquiries.

I would encourage you to visit our website news/blog and read our latest series of White Papers. This is the best medium for updates of how we are now interacting with people interested in this space. You will find eStar on other social channels like Facebook and feel free to join us on LinkedIn.

Best regards,

A handwritten signature in black ink, appearing to read 'Stuart Nattrass', written in a cursive style.

Stuart Nattrass