



PRIVATE OFFER FOR
SHAREHOLDERS OF
LATERAL PROFILES
LIMITED ONLY

lateral

Information Memorandum – October 2017

Strictly Private & Confidential

Contents

The logo for 'lateral' is written in a white, lowercase, sans-serif font. It is positioned in the top right corner of the page, partially overlapping a dark image of a smartphone. The background of the entire page features a bokeh effect of colorful lights (yellow, pink, white) and a close-up of a hand holding a smartphone.

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The content of this pitch by Lateral Profiles Limited ("Lateral Profiles" or "Lateral" or "the Company") and the documents, comments and information contained within it (together the "Pitch") have been prepared by the Company.

The Pitch is approved as a financial promotion, and communicated, by Crowdsphere Limited trading as Crowdsphere ("Crowdsphere") in accordance with part 6 of the Financial Markets Conduct Act 2013 ("the Act"). Crowdsphere is registered in New Zealand under company number 5021681, is licenced and regulated by the Financial Markets Authority. Its Financial Service Provider number is FSP360186.

The Pitch is communicated by Crowdsphere to its registered members on the basis of such recipients' status as informed and intelligent members of Crowdsphere who understand the implications of equity investments in private companies. In context, the Pitch complies with regulatory requirements, but potential investors are encouraged to "cross examine" the Company by interactive due diligence and use of the available online forums to bring the "wisdom of the crowd" to bear.

In approving this Pitch, Crowdsphere has concluded that the Pitch, taken as a whole in the context of the above, is fair, clear and not misleading. Crowdsphere has reviewed any factual statements included within the Pitch and obtained evidence of their accuracy from the Company. However you should note that the evidence is obtained from the Company and has not been audited by Crowdsphere, which means that it may contain inaccuracies, be incomplete or be a forgery.

Crowdsphere has checked that aspirational statements contained within the Pitch are phrased appropriately in light of their speculative nature. However, the Company may have high ambitions which may be unachievable and exaggerated. You should note that we may approve statements that convey those ambitions even where we do not believe, or we do not have a view on whether it is likely, that they will be fully realised and we encourage investors to consider the information provided in the context it is being provided.

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The Pitch does not constitute an offer of or an invitation to subscribe for securities to the public that would otherwise be required to comply with the Act.

No public offer in any jurisdiction is being made by the Pitch. The Pitch is primarily intended for release in the New Zealand and does not constitute an offer, or the solicitation of an offer, in relation to shares in any jurisdiction in which such offer or solicitation is unlawful.

Key dates:

THE SHARE OFFER OPENS

Wednesday 4th October 2017

www.crowdsphere.co.nz

Password to access the private offer: **lateral2017**



SHARE OFFER CLOSES

5pm Friday 3rd November 2017

PRICE PER SHARE

4 cents per ordinary share

Pre-money valuation: \$2.06m

MINIMUM INVESTMENT TARGET

\$150,000 (3,750,000 ordinary shares)

MAXIMUM INVESTMENT TARGET

\$500,000 (12,500,000 ordinary shares)

INVESTOR MINIMUM / MAXIMUM

Minimum per investor: \$1,000 (25,000 ordinary shares)

There is no maximum investment per investor

OTHER IMPORTANT INFORMATION

This offer is made to existing shareholders of Lateral Profiles in conjunction with selected private investors.

Shareholders can apply for as many shares as they wish through the crowdfunding offer. This offer will **not** be a **public** crowdfunding offer.

BACKING FROM EXECUTIVE DIRECTORS

This offer will be supported by the executive directors up to \$100,000. This support will be by way of conversion of outstanding directors and shareholder loans.

ADDITIONAL CAPITAL RAISE PLANNED

Lateral Profiles plans to raise additional funds in early 2018 through a wholesale private placement.

The purpose of this crowd funding offer is to position Lateral Profiles Limited to pursue its longer term strategy of participating in an international marketing relationship with Docomo Digital. This partnership will require Lateral Profiles raising further capital in 2018. The directors expect this to be at a higher price, therefore, this is an opportunity for existing shareholders to participate at the current price of 4 cents per share.

The Opportunity

The logo for 'lateral' is displayed in a white, lowercase, sans-serif font against a dark background. To the left of the logo, a portion of a smartphone is visible, showing its camera and flash.A circular graphic with a thick blue border and a white-to-grey gradient center. It contains the text:

**New high growth,
global market
opportunity**

A circular graphic with a thick blue border and a white-to-grey gradient center. It contains the text:


**Leading technology
and platform built by
industry experts**

A circular graphic with a thick blue border and a white-to-grey gradient center. It contains the text:

**Targeting the
\$24 billion
DCB market**

A circular graphic with a thick blue border and a white-to-grey gradient center. It contains the text:

**Convergence
of HTML5 and
DCB technologies**

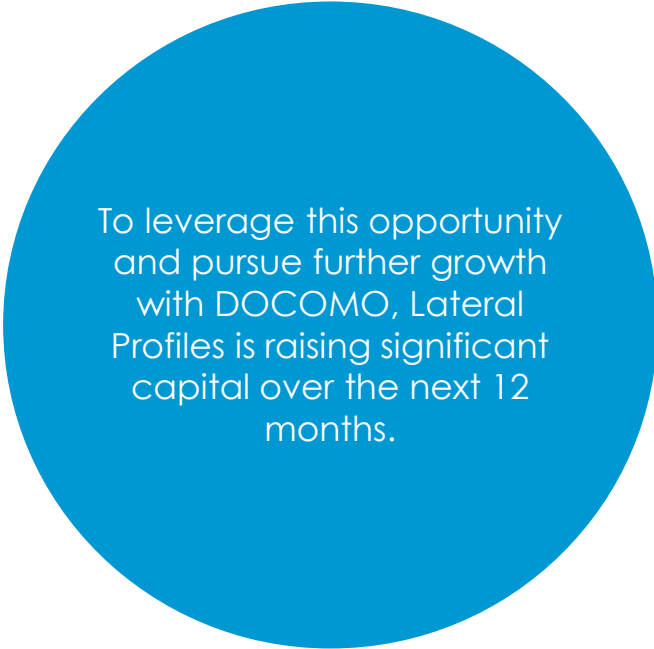
A circular graphic with a thick blue border and a white-to-grey gradient center. It contains the text:

**Agreements
with leading
DCB company
DOCOMO Digital
(Subsidiary of NTT
DOCOMO)**

DCB or Direct Carrier Billing is charging goods and services directly to the customer's mobile phone account

HTML5 is the new technical backbone for mobile web content now used by every smartphone on the planet

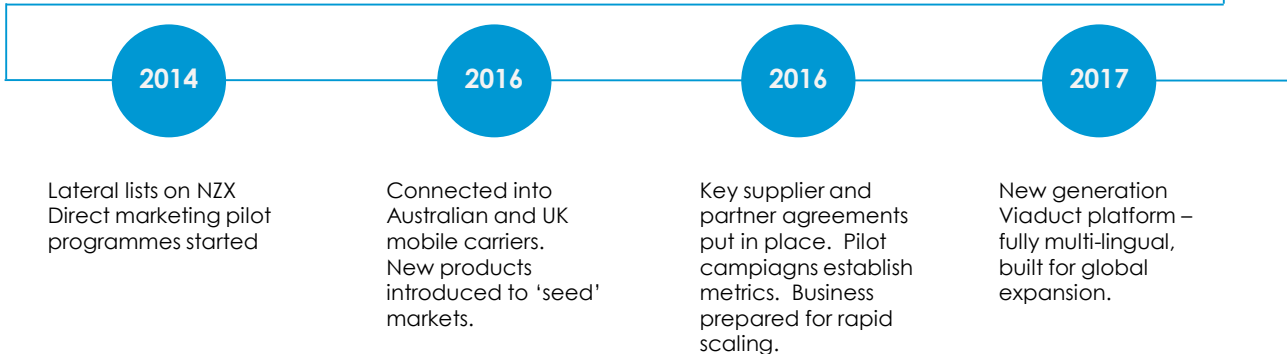
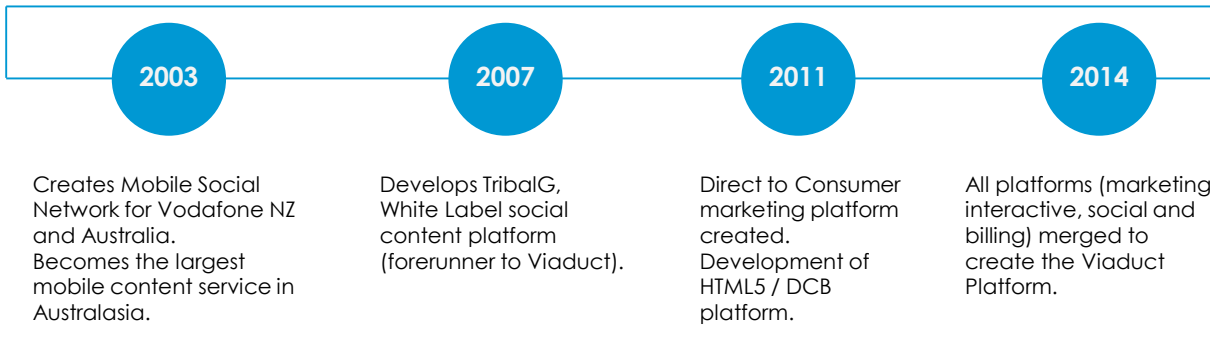
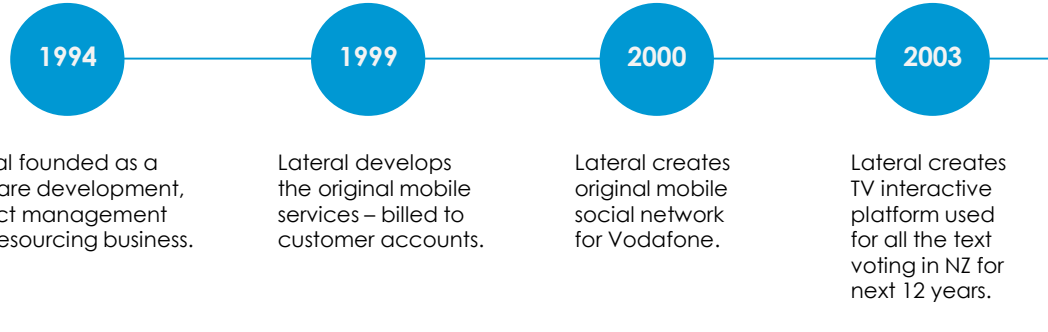
- Lateral Profiles is at the forefront of the most significant revolution in digital and mobile technology combining **HTML5** and **Direct Carrier Billing (DCB)**. Lateral accesses a global market of all mobile phone accounts, a market worth \$2 trillion annually.
- Lateral Profiles Viaduct platform has been specifically developed to target this market, has been tested with successful products and carriers and now has a multi-territory agreement with DOCOMO Digital, NTT Docomo's Global DCB subsidiary.
- Viaduct is the result of 15 years of global expertise in mobile services, social media, online marketing and interactive media. During this time, commercial agreements have been established with major international telecommunications and media companies.
- The cash return from the DOCOMO Digital programme, based on joint analysis by both DOCOMO Digital and Lateral Profiles and using recent market data from both companies Lateral Profiles expects both significant growth and profitability within 12 months.
- Lateral Profiles will also pursue new opportunities and new partnerships to ensure diversified rapid growth.
- Lateral Profiles strategy is to build a new mobile app store based on the latest HTML5 technology.
- This opportunity positions Lateral Profiles for significant future growth and a range of exit options and strategic partnerships.

A large, solid blue circle is positioned on the right side of the slide. Inside the circle, white text is centered, providing a key strategic objective.

To leverage this opportunity and pursue further growth with DOCOMO, Lateral Profiles is raising significant capital over the next 12 months.

Lateral Milestones

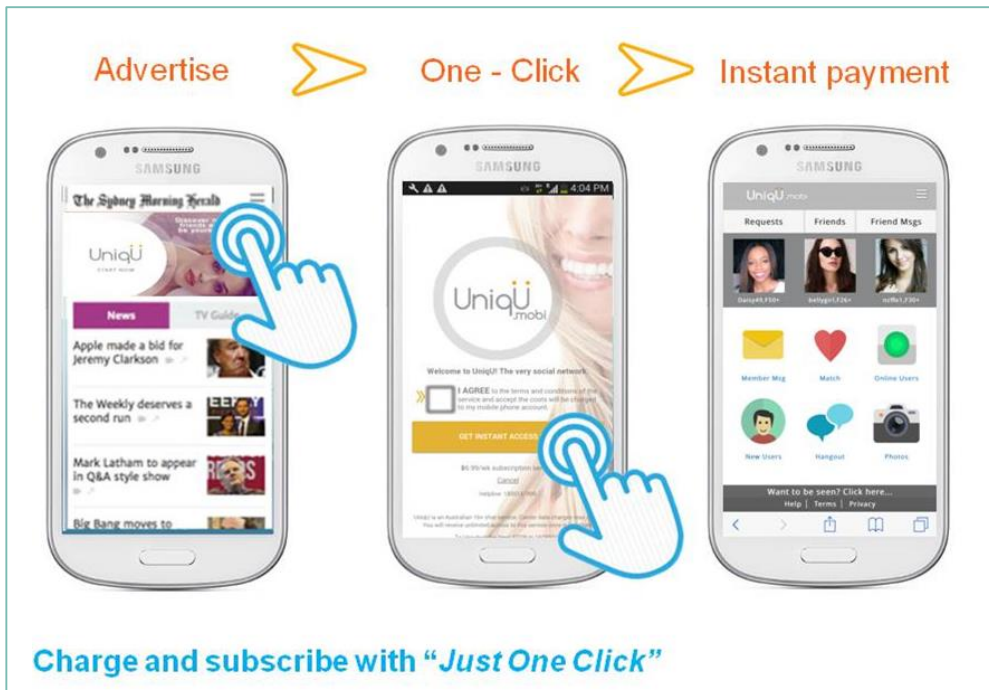
- Lateral has delivered unique and proprietary social experiences for over 10 years providing it significant depth of experience as a developer of social networking and media products.
- Lateral's products and services have evolved directly from the previous generation of mobile carrier services and payment solutions.



Direct Carrier Billing

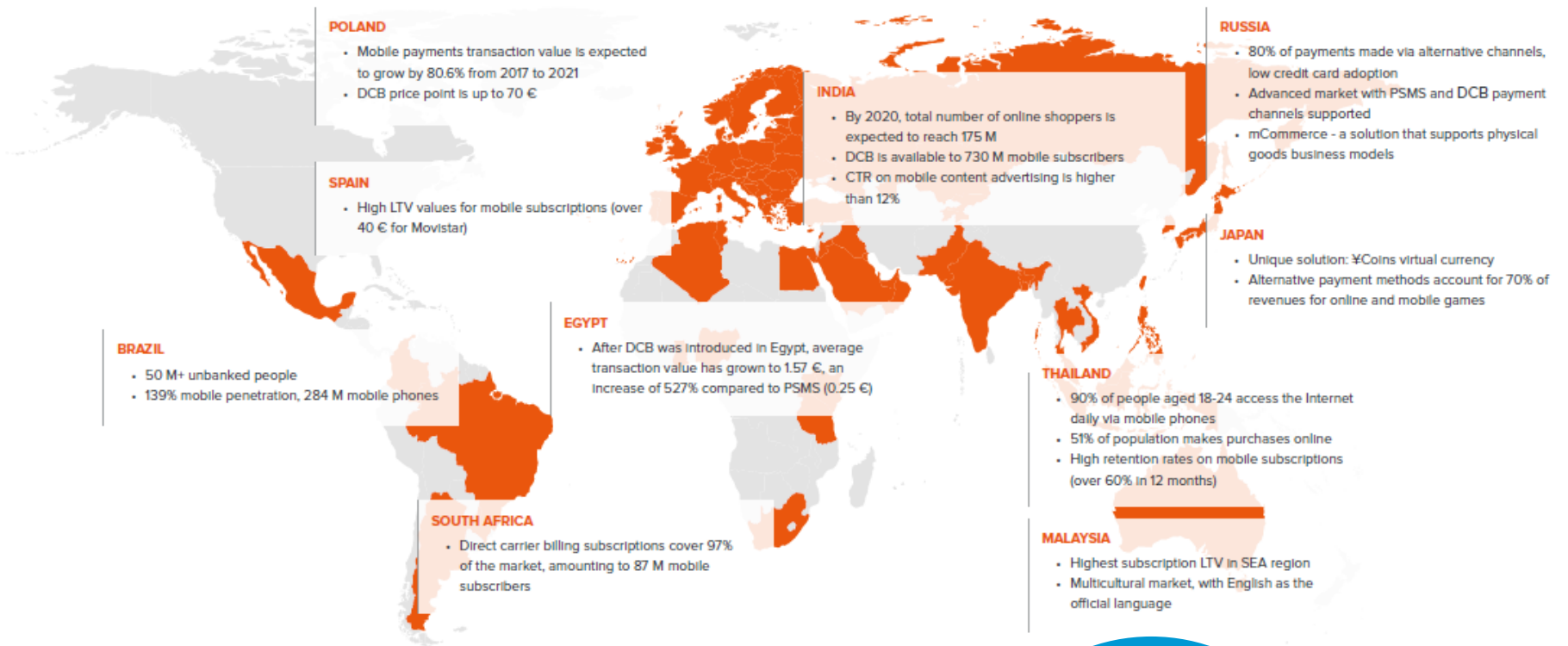
lateral

- Products and services are billed directly to customers' mobile phone accounts.
- No credit card, no registration, and no data entry required – “just one click”.
- The most powerful and easy-to-use payment system ever developed.
- Potentially larger than both Apple and Google app store payments platforms.



Lateral is a **global pioneer** and industry specialist with **DCB**.

Direct Carrier Billing growth

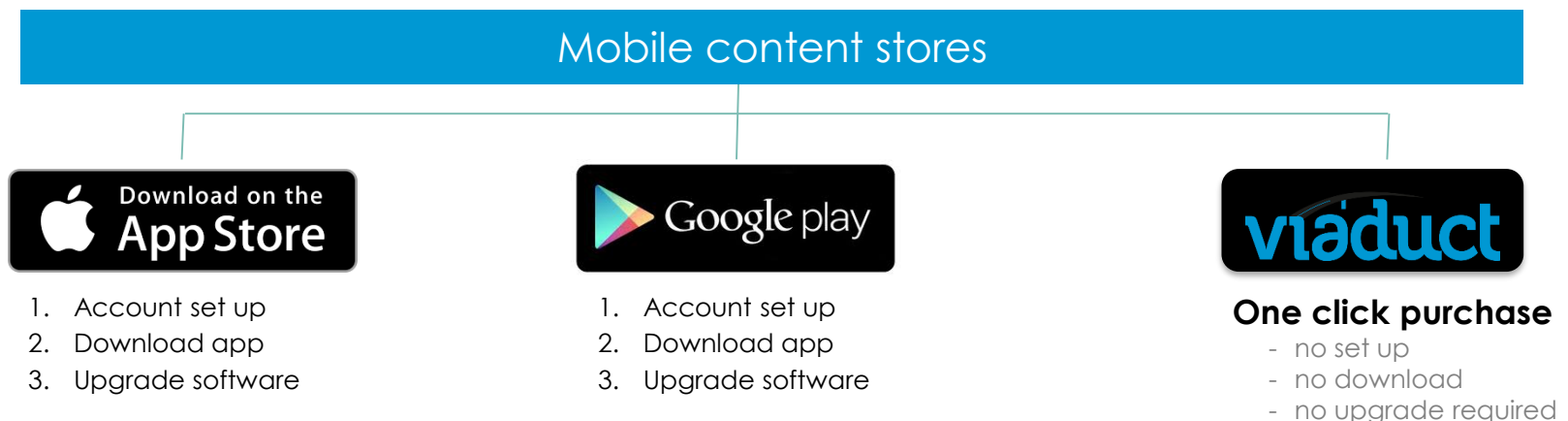


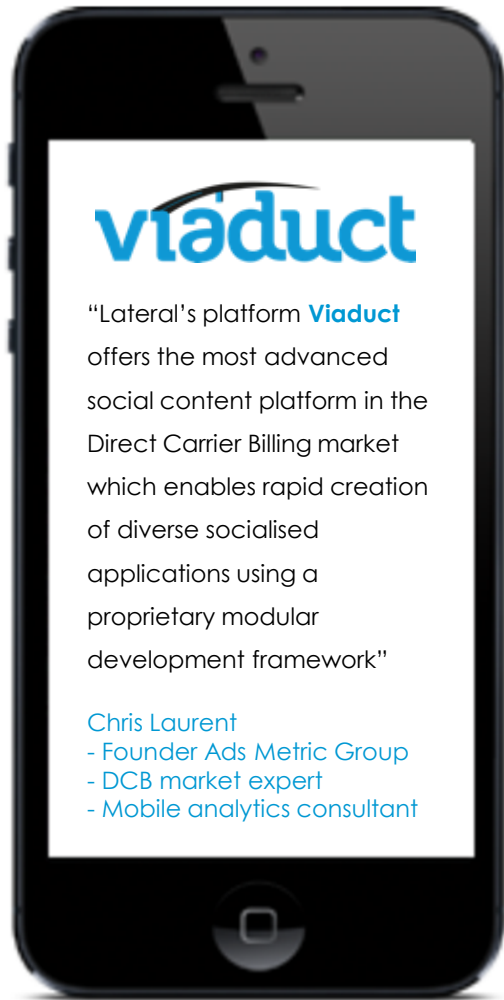
The DCB market is expected to grow rapidly to USD 24 billion by 2019

Ovum research 2016 – industry leading digital media research and analysis

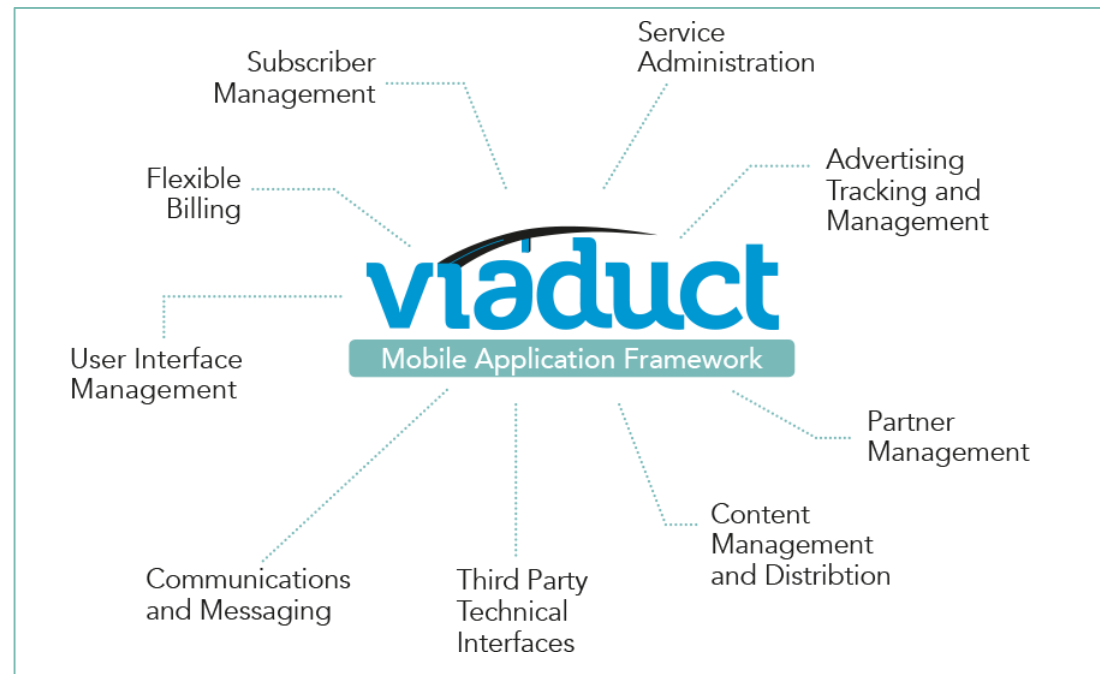
Lateral's current DCB penetration includes UK and Australia, adding France and Spain this year with partners such as Vodafone, Telstra, Optus and DOCOMO Digital.

- The convergence of DCB and HTML5 creates a new global market opportunity.
- Apple and Google app stores are limited to downloaded applications and credit card payment methods.
- The majority of mobile content is mobile web. One billion web pages available to mobile phone users, compared with only 2.2 million mobile applications.
- Apple and Google app-stores are unable to bill for HTML5 applications and content.
- There is no established market place for HTML5 applications and content.
- Viaduct has been built to create this market place and create an alternative app store.
- Viaduct provides unique growth and revenue opportunities for media, carrier and DCB companies to access an entirely new market.





- An e-commerce platform for marketing, distributing and billing HTML5 applications. Creates a HTML5 app store.
- Enables rapid creation of diverse socialised DCB products, using modular development framework.
- White label – can be branded for re-use by any media company or brand to build their own app store.
- Multiple payment scenarios including subscription, one time payments, freemium and other methods.



Financials – Income and Cash Flow **lateral**

Lateral Profiles Limited

Income Statement	Sept-18F	Sept-19F
NZD (\$000)		
Total revenue	8,931	13,557
Expenses		
Acquisition costs	4,332	1,092
Mobile operator margin	1,855	2,816
Aggregator margin	442	670
Overhead costs	820	900
Total Costs	7,448	5,478
Profit/Loss before tax	1,483	8,079
<hr/>		
Cash Flow Statement	Sept-18F	Sept-19F
NZD (\$000)		
<u>Cash flow from operating activities</u>		
Income received	5,865	15,290
Operator margin paid	(1,517)	(3,014)
Aggregator margin	(361)	(718)
Acquisition costs	(4,332)	(1,092)
Overheads	(820)	(900)
Total Operating Activities	(1,165)	9,566
<u>Cash flow from financing and other activities</u>		
Investment funds received	8,200	-
Tax received/(Paid)	25	-
Total financing and other activities	8,225	-
Net Cash flow	7,060	9,566
Cash at the beginning of the period	50	7,110
Cash at the end of the period	7,110	16,676

Commentary on FY18F – FY19F Income Statement

- Includes existing revenue from Australian market and new revenue from European markets.
- Data used for projections based on pilots in the Australian market.
- European markets expected to perform better than Australia.
- Acquisition partners, such as Google, Facebook and affiliates are paid on a predictable or fixed Cost Per Acquisition (CPA) model.
- Operator margin is the share of transactions retained by mobile carriers. Aggregator margin is an additional fee charged by aggregator, such as Docomo, for payment processing.

Commentary on FY18F – FY19F Cash Flow Statement

- Operating cash flows are expected to be negative in the first 12 months of entering the European DCB market as products are marketed and established.
- This model assumes Lateral Profiles is fully funded up to \$8.2m within 6 – 12 months of September 2017.
- This model does not assume cash generated from operations to be reinvested into the operations or dividends paid. Reinvesting cash will generate a higher return on capital.

Financials – Balance Sheet



Pro-forma forecast Balance Sheet	Sept-18F	Sept-19F
NZD (\$000)		
Assets		
Cash and cash equivalents	7,110	16,676
Tax receivable	-	-
Debtors	3,126	1,393
Total Assets	10,236	18,069
Liabilities		
Accounts payable	418	172
Loans and borrowings	500	500
Shareholder loans	60	60
Total Liabilities	978	732
Share Capital	8,200	8,200
Retained Profits/(Accumulated Losses)	1,058	9,137
Total Equity	9,258	17,337

Key investment returns - forecast	Sept-18F	Sept-19F
Return on Capital Employed (Profitability* Activity)	16%	47%
Profitability % (EBIT / Revenue)	17%	60%
Activity (Revenue / Net Assets)	0.96	0.78

Commentary Sept-18F – Sept-19F Balance sheet

- Cash in the year ended Sept-18 is generated from share capital less the operating costs.
- Working capital requirements are modelled off current operating cycles of Lateral Profiles. Debtor days over the 2 year period average 36.7 days. Creditor days average 8.3 days, this is low due to the nature of how customer acquisition costs are paid for.
- Loans and borrowings are expected to remain constant at \$560k for each year.

Commentary on forecast returns and assumptions

- Return on Capital Employed is a function of Profitability and Activity ratios. Please note that further investment in FY18 will be required to fund the expected revenues and cash flows indicated in this model.
- A further \$7.9m share capital is forecast from February – June 2018.
- The key metrics assumed in generating this model are based off previous trials and pilots, these were:
 - Customer acquisition cost circa \$22 NZD per customer
 - Average Net Life Time Value (LTV) exceeding \$45 over the first 2 years.

Working with DOCOMO Digital



- DOCOMO Digital is a subsidiary of NTT DOCOMO, Japan's largest mobile phone carrier (US\$54 billion revenue).
- DOCOMO Digital is a specialist global facilitator of DCB systems with annual revenue of over US\$5 billion.
- DOCOMO Digital has committed to support Lateral with enabling technologies, resources and capability.
- DOCOMO Digital also brings high level agreements with large digital advertising networks such as Google and facebook, and mobile carriers such as Vodafone, and Telephonica.
- Up to the end of September Lateral and Docomo have signed agreements for subscriber billing, which cover Australia, Europe, UK and other territories, such as South Africa.
- Docomo has produced a Letter of Intent (LOI), committing to a global long term collaborative marketing and billing relationship.
- Lateral will continue to develop new products to meet requirements of each market. DOCOMO Digital will work with Lateral to market products and bill customers through their extensive networks of both advertisers and mobile carriers.

The Docomo Digital deal is a non-exclusive, multi-territory arrangement, containing multiple agreements, which has been the product of over three years of collaboration.

Update on the DOCOMO Digital deal – September 2017

- Agreements signed for billing Australia, Europe and UK
- Technical integration with Docomo is complete
- Global marketing agreement by mid October 2017
- Services live in UK and Spain by 31st October 2017

Simple three-step growth strategy:



Sell own branded products, create the market, generate revenue and establish the platform.



Introduce both content and marketing partners on revenue share model. Drive up volume and add diversity.



Develop into a global paid content market place. Maximum scaling and revenue.

1 Immediate

2 Medium term

3 Longer term



Lateral products:

- Start with own products
- Demonstrates success to potential partners
- Subscription based services

Third party products:

- Introduce partner products
- Work with app developers and content owners
- Revenue sharing

Development of a new application market place:

- Self service platform
- Creates a marketplace for web app developers
- Billing, marketing and distribution of content
- SaaS model
- Targeting global mobile customer base
- Extend to physical products
- Large revenue share opportunity



- Direct to consumer
- Aggressive marketing campaigns
- Builds subscription and revenue base
- Demonstrates success to potential partners

- Mobile operator and media partnerships
- Partner with media outlets and mobile carriers
- Create direct revenue stream from partners' large audiences
- Revenue share



- DCB payments
- Start with simple subscription model
- Builds subscription and revenue base.
- Establish commercial metrics

- Broaden payment options
- New payment models
- New payment technology

Current Products & Services

- Lateral has developed its own suite of products and services using the Viaduct Platform.
- These consist of simple “very social” digital products, easy to sell, with high revenue and high margins.
- Initial marketing pilots show very good return on marketing investment and form the foundation for the future growth strategy.

qikflirt

- QikFlirt is an online web-app for dating and social interaction. It was initially developed in collaboration with Vodafone Australia to be a cornerstone app within the Vodafone Live!Mobile portal.
- Qikflirt is marketed in Australia and the UK.



- OZChat was initially developed in collaboration with Vodafone Australia to be the cornerstone app within the Vodafone Live!mobile portal.
- OZChat is marketed to Australian Customers, but may be globalised.

Uniqü

- UniqU is an adaption of OZChat with similar features. It is intended as a multi-lingual global product.
- UniqU will feature a unique “on-the-fly” translation of messages from one language to another.



- Taparazzi is a new product intended for marketing in Spanish, French, German, Italian and English speaking markets.
- Taparazzi combines content and other services such as trivia, horoscope and tarot with a very social on-line user experience.
- Multilingual.

Risk warning regarding Lateral Profiles as a business

Inability to raise required capital: The Company intends to raise significant capital during the next 12 months. The Company intends to raise \$8.2 million over the next 12 months. If the capital raising is not successful, there is risk that the company will not be able to achieve sustainable growth.

Changes to business environment: The Company operates in a sector which is subject to change. There is ongoing risk that unexpected changes occur that may have a material effect.

Failure to meet business objectives: The business uses a number of metrics for performance, which have been determined by testing, pilot trials, and market intelligence. If for any reason the company became unable to achieve these performance objectives there would be a consequential financial effect.

Risk of Competitors: Generally Lateral does not encounter direct competitors to its business and is not aware of any direct competitor. Competitive risk presents itself in the competition for mobile advertising space, which could cause increased costs. Significant increases in advertising cost may have a material effect on the business.

Risk of disruptive technology: There is potential risk that new unexpected technology may appear and impact Lateral's business.

Failure of technology and technology suppliers: The business is reliant on a number of technologies, some managed internally and some outsourced. It is possible at any time that some part of the technology used fails and disrupts the business.

Reliance on Key Personnel: The loss of any of key management personnel may have a material effect on the company's performance.

Foreign exchange risk: Lateral operates almost entirely in markets outside of New Zealand. Income is received and payments made in multiple currencies. Significant and unexpected shifts in exchange rates may have a material effect on the business.

Risks from agreements with third parties: Lateral is reliant on third parties from multiple parties. If a strategic third party was unable to provide services for any reason this may impact operations materially.

Use of funds: Continue with marketing trials in several markets. Working capital associated with completing agreements with Docomo, integration of the Docomo and Lateral's platforms. Set up of billing facilities in UK, and EU markets. Preparation for larger-scale growth stage capital raising.

CONFIDENTIALITY

The Pitch has been prepared exclusively by the Company. It is being provided to persons, each of whom is considered to be a legitimate recipient, solely as a guide for the purpose of giving background information to enable recipients to assess whether they wish to place an order to subscribe for shares in the Company.

The information and opinions contained within the Pitch are strictly confidential and are being made available only to parties who agree to keep them confidential. Neither the Pitch nor any part of it may be copied, published, disclosed, reproduced or distributed to any person at any time without the prior written consent of the Company, and shall not be used for any purpose other than in connection with the proposed investment in the Company. By accepting the Pitch you are deemed to undertake and warrant to the Company that you will keep it confidential. You agree to indemnify the Company against any losses incurred by the Company as a result of any unauthorised disclosure, and to return on demand, the Pitch and any related documents or information to the Company.

GENERAL

Although the Company has used publicly available information in compiling the Pitch and has used reasonable efforts to check the accuracy of the information in the Pitch, its accuracy cannot be guaranteed. The Company has not independently verified any of the information, links to other sites or resources provided within the Pitch and the Pitch does not purport to be all-inclusive or necessarily to contain all the information that a prospective investor may desire in investigating the Company, and may be subject to updating, withdrawal, revision or amendment.

Any financial projections given are illustrative only and none of the projections or assumptions should be taken as forecasts or promises on the part of the Company nor should they be taken as implying any indication, assurance or guarantee that those assumptions are correct or exhaustive.

Each recipient of the Pitch must make their own independent assessment of the information provided by the Company and is recommended to seek independent advice on the contents hereof from an authorised person specialising in advising on investments of the kind in question. Crowdsphere has undertaken a screening and review process of the Pitch in accordance with its Issuer Fair Dealing Policy and Issuer Screening Process as summarised in Crowdsphere's Disclosure Statement. The Issuer Fair Dealing Policy and Issuer Screening Process have been designed to confirm that the Investee Pitch Documents are not false, misleading, deceptive or likely to mislead or deceive and do not include unsubstantiated representations. Crowdsphere shall have no liability to any investor under or in connection with their decision (whether in contract, tort, including, without limitation, negligence, or under any other theory of law or cause of action howsoever arising) unless such liability arises out of the fraudulent actions of Crowdsphere or a breach by Crowdsphere of its obligations expressly provided for in its Investor Terms. The Pitch should not be construed as a recommendation to prospective investors by the Company or Crowdsphere or any of their respective officers or related parties to invest in the Company, and does not form any commitment by the Company to proceed with an investment. The Company reserves the right to terminate the procedure at any time and to terminate any discussions and negotiations with any prospective investors at any time and without giving any reason.

Important information

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Any and all discussions, negotiations and communications, including through any online forums, between any recipient of the Pitch and the Company and their respective directors, shareholders, employees, advisers and/or representatives will remain subject to contract and without commitment or obligation unless and until definitive contracts are agreed, executed and unconditionally delivered. Any person who invests in the Company at any time must comply with all applicable laws and regulations in force in any jurisdiction in which they acquire, offer or sell shares and must obtain any consent, approval or permission required in respect of any such transaction under the laws and regulations in force in any jurisdiction to which they are subject or in which any such transaction takes place or in which they possess the Pitch. Neither the Company, Crowdsphere nor any of their respective directors, partners, representatives, agents, consultants or employees shall have any responsibility for any such matters.

The distribution of the Pitch in certain jurisdictions other than the New Zealand may be restricted by law and therefore persons accessing the Pitch into whose possession the Pitch documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of securities laws of any such jurisdiction. Recipients represent and warrant to the Company and Crowdsphere that they are able to receive the Pitch without contravention of applicable legal or regulatory restrictions in the jurisdiction in which they reside, conduct business or receive the Pitch, including in particular the requirements of the Act.

ARMILLARY PRIVATE CAPITAL

The Company is a client of Armillary Private Capital which has provided and continues to provide certain services to it. Armillary Private Capital has received fees from the Company for the services provided and will receive some of the fees to be paid by the Company to Crowdsphere upon successful completion of this capital raising. Armillary Private Capital is the manager of Crowdsphere and related parties hold a significant shareholding in Crowdsphere.

SECONDARY MARKET

The Company has applied to have its shares quoted on the Unlisted Securities Exchange upon the successful completion of this capital raising. Investors should note the Armillary Private Capital, which is the manager of Crowdsphere, is also the manager of Efficient Market Services Limited which trades as Unlisted. Parties which are the shareholders of Armillary Private Capital hold a 50% shareholding in Crowdsphere. Armillary Private Capital, and/or its related parties do not have an ownership interest in Efficient Markets Services Limited.

RISK WARNING

Potential investors should be aware of the risks associated with an investment in the Company especially at an early stage in its development and should ensure that they have read and understood the Risk Warning on the Crowdsphere website before continuing. If any potential investor is in any doubt regarding the contents of any Pitch, they must consult their own professional financial advisers.

ANY INVESTMENT IN PRIVATE LIMITED COMPANIES, ESPECIALLY AT AN EARLY STAGE IN THEIR DEVELOPMENT, IS AN INHERENTLY RISKY INVESTMENT. IF YOU ARE IN ANY DOUBT ABOUT INVESTING, CROWDSPHERE RECOMMENDS YOU CONSULT WITH YOUR FINANCIAL ADVISERS.

Contact Information

The logo for Lateral, featuring the word "lateral" in a white, lowercase, sans-serif font. In the background, there is a dark image of a smartphone.

LATERAL PROFILES LIMITED

For questions regarding the Lateral Profiles business and investment opportunities please contact Lateral via the details below:

- Phone: 027 230 0166
- Email: dene.biddlecombe@lateralcorp.com
- Website: www.lateralcorp.com

A large, dark grey, lowercase, sans-serif version of the word "lateral".

CROWDSPHERE LIMITED

This crowdfunding campaign is being run through crowdfunding provider Crowdsphere Limited.

If you have questions regarding the Crowdsphere investment process please contact Crowdsphere via the details below:

- Phone: 09 280 3161
- Email: support@crowdsphere.co.nz
- Website: www.crowdsphere.co.nz

