Connexion Media Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Connexion Media Limited
ABN:	68 004 240 313
Reporting period:	For the half-year ended 31 December 2016
Previous period:	For the half-year ended 31 December 2015

2. Results for announcement to the market

				$
Revenues from ordinary activities	up	193.6%	to	354,619
Loss from ordinary activities after tax attributable to the owners of Connexion Media Limited	down	44.7%	to	(1,800,258)
Loss for the half-year attributable to the owners of Connexion Media Limited	down	44.7%	to	(1,800,258)

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Comments
The loss for the consolidated entity after providing for income tax amounted to $1,800,258 (31 December 2015: $3,258,032).

Total revenues from ordinary activities for the period were $354,619 (2015: $120,774). The consolidated entity also recognised $2,392,671 in R&D tax incentive amounts receivable during the half-year period (2015: $722,902). There was an increase in employment costs during the period following an increase in marketing activities.

The working capital position of the Company at 31 December 2016 was a deficiency of ($1,735,884), which was an decrease from the deficiency at 30 June 2016 of ($3,246,201).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(4.82)	(2.69)

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period
There were no dividends paid, recommended or declared during the current financial period.

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Previous period
There were no dividends paid, recommended or declared during the previous financial period.

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7. Dividend reinvestment plans

Not applicable.

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8. Details of associates and joint venture entities

Not applicable.

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9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

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10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Half-Year Financial Report.

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11. Attachments

Details of attachments (if any):

The Half-Year Financial Report of Connexion Media Limited for the half-year ended 31 December 2016 is attached.

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12. Signed

Signed _____ Date: 28 February 2017

George Parthimos
Managing Director

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Connexion Media Limited

ABN 68 004 240 313

Half-Year Financial Report - 31 December 2016

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Connexion Media Limited
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Connexion Media Limited
Corporate directory
31 December 2016

Directors	George Parthimos (Managing Director) John Conomos (Chairman and Non-executive Director) Eric Jiang (Executive Director) John Dimitropoulos (Non-executive Director) David Connolly (Non-executive Director)
Company secretary	George Karafotias
Registered office	Level 3, 600 St Kilda Road Melbourne, VIC 3000 Phone: +61 3 9529 2655
Principal place of business	Level 3, 600 St Kilda Road Melbourne, VIC 3000
Share register	Boardroom Pty Limited Level 12, 225 George Street Sydney NSW 2000 Phone: +61 2 9290 9600
Auditor	William Buck Audit (VIC) Pty Ltd Level 20, 181 William Street Melbourne VIC 3000
Bankers	Commonwealth Banking Corporation Limited
Stock exchange listing	Connexion Media Limited shares are listed on the Australian Securities Exchange (ASX code: CXZ)
Website	www.connexionmedia.com.au

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Connexion Media Limited
Directors' report
31 December 2016

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Connexion Media Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

Directors
The following persons were directors of Connexion Media Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

George Parthimos (Managing Director)
John Comonos (Chairman and Non-executive Director)
Eric Jiang (Executive Director)
John Dimitropoulos (Non-executive Director)
David Connolly (Non-executive Director) (appointed 22 November 2016)

Principal activities
During the financial half-year the principal continuing activities of the consolidated entity consisted of:
- Carrying out its endeavours to realise revenue streams from its two core products miRoamer and Flex.

Review of operations
The loss for the consolidated entity after providing for income tax amounted to $1,800,258 (31 December 2015: $3,258,032).

Total revenues from ordinary activities for the period were $354,619 (2015: $120,774). The consolidated entity also recognised $2,392,671 in R&D tax incentive amounts receivable during the half-year period (2015: $722,902). There was an increase in employment costs during the period following an increase in marketing activities.

The net assets of the consolidated entity decreased during the half-year by $1,580,258 to a net asset deficiency of $5,007,983. The increase in the net asset deficiency was a result of additional convertible notes being issued during the half-year period.

OPERATIONAL UPDATE

Connexion Media made strong operational progress during the reporting period, focusing on the commercialisation of its telematics offering. As customisation works on its larger development projects have completed, the Company has strategically shifted its priorities away from research and development and towards the sales and marketing of its software products.

Telematics Offerings

The Company's telematics range includes GM's Commercial Link, CXZ Telematics (formerly Flex) and WEX MotorPass Telematics products. At the end of the half year period, the Company achieved encouraging results for its key telematics product metrics:

- Average Revenue Per User (ARPU): of $13.97 per calendar month per vehicle (Annualised ARPU is ~$167.64).
- Average Subscriptions Per Customer (ASPC): 3.25, an increase from November 2016 (2.35), indicating that as fleet customers sign up for the service, they are steadily increasing the number of vehicles or subscriptions.
- Subscription Conversion Rate: (SCR): 95.7% in December 2016, reflecting the conversation rate from free-trials to fee-paying subscriptions offered by Connexion's partners (Connexion receives revenue from its partners during the free-trial period).

- WEX Australia's WEX MotorPass Telematics service

Connexion's partner and leading Australian fuel card provider, WEX Australia launched its white labelled telematics product called WEX MotorPass Telematics in August 2016. The product was launched under Connexion's 3-year white label distribution contract with WEX Australia with an initial pilot program that has targeted 400 premier WEX fuel card customers with an addressable market of 11,500 vehicles in Victoria. Pending the success of the pilot, national roll-out to WEX fuel card holders is expected in 2017.

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- GM's Commercial Link

GM is now selling its Commercial Link product at over 4,000 GM dealerships across the US. Uptake of the Commercial Link services continues to grow, with Connexion receiving a revenue share payment from Commercial Link subscribers. To drive uptake of the service, GM launched a Commercial Link marketing campaign and offered up to 6 months free trials to GM new vehicle customers.

- miRoamer

Connexion's miRoamer internet radio and music infotainment service continues to have solid uptake with a number of global top-tier automakers expressing interest in the product offering. Connexion's miRoamer iPhone and Android smartphone applications are currently available for use within a number of automotive brands, including Volkswagen, Peugeot, Citroen, Ford and others.

- Sales and Marketing Strategy

Under a new strategic marketing plan announced in November 2016, Connexion is focused on driving sales of its telematics products across four core customer segments:

1. Automaker/OEM
2. Business to Business (B2B)
3. Business to Enterprise (B2E)
4. Vendor Partnerships (eg. Microsoft and Oracle)

Subsequent to the end of the reporting period, the Company rebranded its "Flex" telematics offering, renaming the service as "CXZ Telematics." The rebrand strengthens the Company's brand profile in the direct Australian B2B channel which is expected to be a growth market for Connexion's products. In conjunction with the rebrand, the Company commenced its sales campaign targeting this customer segment in February 2017.

The Company expects the new strategic sales and marketing plan to translate to an increase in sales in CY2017, targeting 50,000 telemetry subscription cumulatively across all products by the end of the calendar year.

Partnerships

- Oracle Partnership

Connexion Media continues to work closely with software giant, Oracle Corporation to drive sales of Connexion's miRoamer and CXZ Telematics services to Oracle's large customer base via its 15,000 sales force.

- Chinese Distribution Partnership

Consistent with the Company's growth objectives, Connexion signed a Memorandum of Understanding (MOU) with Chinese auto hardware vendor, Tass Internet of Vehicles Co. Limited (TassIOV) subsequent to the end of the reporting period. TassIOV supplies embedded hardware devices to 2 China-based automakers and has commercial relationships with an additional 5 China-based automakers. TassIOV is to co-sell CXZ Telematics services to China-based automakers and CXZ is to co-sell TassIOV's hardware devices into European and US automaker markets.

- Microsoft Gold Status Partnership

Following the half year, Connexion and Microsoft announced a collaboration to explore opportunities in connected car software services in the newly announced Microsoft Connected Vehicle Platform. In conjunction, Connexion became a Gold Status Partner of Microsoft's Go-To-Market Services. The partnership will help Connexion reach new customers worldwide through exposure to tens of thousands of Microsoft sellers and channel partners.

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CORPORATE

- Board Changes

In November 2016, Connexion appointed Oracle sales executive David Connolly as a Non-Executive Director on the Board. In this role, Mr Connolly is leveraging his expertise to help drive Connexion's sales efforts of miRoamer and CXZ Telematics services to Oracle's large customer base via Oracle's 15,000-strong sales force.

In July 2016, Connexion announced that Ashley Kelly stepped down from his role as Executive Director to pursue other interests. The Company thanks Mr Kelly for his services.

OUTLOOK

The Company's focus is accelerating the commercialisation of its telematics products and increasing subscriber numbers. Connexion Media expects to deliver continued revenue uplift in the year ahead from growth in subscriptions of its telematics products in Australia and the US and the heightened sales and marketing focus on the Australian B2B customer group.

The Company's increased focus on sales and marketing, along with its strong partnerships with automakers, software corporations and distribution partner will enable it to achieve its target of 50,000 telematics subscribers by the end of CY2017. This, together with its material reduction of 38% in annualised costs, positions the Company to reach cashflow break-even by the end of CY2017.

Significant changes in the state of affairs
On 22 June 2016 the consolidated entity announced that it was offering to new and existing institutional and sophisticated investors up to $5 million through the issue of Convertible Notes (Notes).

The key terms of the convertible notes are as follows:

- 9.95% coupon, paid quarterly in advance;
- 24 month term;
- Partial or full conversion at the lower of A$0.15 or 80% of any future equity issue price (with 2 business days' notice) after the 12 months from the issue date
- Should >50% of notes convert within 12 months, a one-for-one 24 month 20c option will be issued pro-rata to all noteholders. There is also an Early Redemption Premium of 10% of the Face Value of the Note, which has to be repaid if the Notes are redeemed early;
- Failure of any of the following adds 5% premium (per item) to repayment:
  - Total Non-executive Director remuneration to remain below A$300k p.a. until company displays 4 consecutive quarters of positive operating cash flow or NPAT of A$3M+
  - Financial year revenue for 2017 and 2018 to exceed A$10m
  - Connexion has the option of redeeming early at any time at 10% premium (providing 60 days' notice) but not before 12 months. This is inclusive of the premiums noted above.

On 6 July 2016 the consolidated entity lodged a Prospectus with the Australian Securities and Investments Commission (ASIC) in relation to the proposed issue of 3,042,172 Piggy Back Options to Participating Primary Option Holders and 7,133,617 unlisted options to March Placement shareholders and May Placement Shareholders. The options were issued on this day following the lodgement of the Prospectus.

On 17 August 2016, the consolidated entity issued 6,948 Series 2 Notes, raising $694,800 before costs on the above mentioned terms.

On 17 August 2016 the consolidated entity issued 2,000,000 fully paid ordinary shares for services provided pursuant to a placement agreement.

On 31 October 2016, the Company issued 27,550 Tranche B Series 2 Convertible Notes with a face value of $100 per note convertible at $0.15 (15 cents) on the above mentioned terms.

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

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Matters subsequent to the end of the financial half-year
On 9 February 2017, the consolidated entity issued 3,711 fully paid ordinary shares in relation to the conversion of 3,711 options with an exercise price of $0.20 (20 cents) per option.

On 23 February 2017, the consolidated entity announced that in order to take up annual cost savings of 2.4 million, it has reduced its workforce by 32% and reduced other overhead costs. This will result in in a 31% reduction in wages expenses and a saving of $1.2 million; and a reduction of other overheads across the business of 48%, which will represent a cost saving of approximately $1.2 million.

No other matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

George Parthimos
Managing Director

28 February 2017

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William Buck

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF CONNEXION MEDIA LIMITED AND ITS CONTROLLED ENTITIES

I declare that, to the best of my knowledge and belief during the half-year ended 31 December 2016 there have been:

— no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

— no contraventions of any applicable code of professional conduct in relation to the review.

William Buck

William Buck Audit [Vic] Pty Ltd
ABN 59 116 151 136

N. S. Benbow
Director
Dated this 28th day of February, 2017

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Connexion Media Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2016

	Note	Consolidated 31 December 2016 $	31 December 2015 $
Sales revenue		354,619	120,774
R&D tax incentive		2,392,671	722,902
Expenses			
Research and development costs		(963,740)	(1,203,038)
Administrative and corporate expenses		(1,162,078)	(1,228,373)
Employee benefits expense		(1,796,875)	(1,054,769)
Marketing expenses		(79,027)	(77,541)
Travelling expenses		(172,015)	(147,552)
Finance costs		(312,953)	(148,839)
Occupancy		(50,448)	(232,366)
Foreign Currency Gain/Loss		(10,412)	(9,230)
Loss before income tax expense		(1,800,258)	(3,258,032)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Connexion Media Limited		(1,800,258)	(3,258,032)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive loss for the half-year attributable to the owners of Connexion Media Limited		(1,800,258)	(3,258,032)
		Cents	**Cents**
Basic loss per share	11	(1.74)	(3.85)
Diluted loss per share	11	(1.74)	(3.85)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

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Connexion Media Limited
Consolidated statement of financial position
As at 31 December 2016

	Note	Consolidated 31 December 2016 $	30 June 2016 $
Assets			
Current assets			
Cash and cash equivalents		1,387,657	76,389
Trade and other receivables		154,826	45,522
Other		81,989	43,923
Total current assets		1,624,472	165,834
Non-current assets			
Plant and equipment		7,123	7,812
Other		-	80,989
Total non-current assets		7,123	88,801
Total assets		1,631,595	254,635
Liabilities			
Current liabilities			
Trade and other payables		915,915	1,014,287
Borrowings	4	2,357,105	2,354,699
Employee benefits		87,336	43,049
Total current liabilities		3,360,356	3,412,035
Non-current liabilities			
Convertible Notes	5	3,279,222	270,325
Total non-current liabilities		3,279,222	270,325
Total liabilities		6,639,578	3,682,360
Net liabilities		(5,007,983)	(3,427,725)
Equity			
Issued capital	6	9,752,086	9,532,086
Accumulated losses		(14,760,069)	(12,959,811)
Total deficiency in equity		(5,007,983)	(3,427,725)

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

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Connexion Media Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2016

Consolidated	Issued capital $	Accumulated losses $	Total deficiency in equity $
Balance at 1 July 2015	6,466,115	(6,099,102)	367,013
Loss after income tax expense for the half-year	-	(3,258,032)	(3,258,032)
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive loss for the half-year	-	(3,258,032)	(3,258,032)
Transactions with owners in their capacity as owners:			
Issue of shares	540,302	-	540,302
Balance at 31 December 2015	7,006,417	(9,357,134)	(2,350,717)

Consolidated	Issued capital $	Accumulated losses $	Total deficiency in equity $
Balance at 1 July 2016	9,532,086	(12,959,811)	(3,427,725)
Loss after income tax expense for the half-year	-	(1,800,258)	(1,800,258)
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive loss for the half-year	-	(1,800,258)	(1,800,258)
Transactions with owners in their capacity as owners:			
Issue of shares	220,000	-	220,000
Balance at 31 December 2016	9,752,086	(14,760,069)	(5,007,983)

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

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Connexion Media Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2016

	Note	Consolidated 31 December 2016 $	31 December 2015 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		269,809	120,774
Payments to suppliers and employees		(4,089,406)	(3,543,081)
R&D tax incentive refunds		2,392,671	722,902
Interest received		6,014	-
Net cash used in operating activities		(1,420,912)	(2,699,405)
Cash flows from investing activities			
Loans to other entities		-	(37,977)
Net cash used in investing activities		-	(37,977)
Cash flows from financing activities			
Proceeds from issue of shares	6	-	540,302
Proceeds from borrowings		2,985,267	2,000,000
Finance costs on borrowings		(253,087)	(161,066)
Net cash from financing activities		2,732,180	2,379,236
Net increase/(decrease) in cash and cash equivalents		1,311,268	(358,146)
Cash and cash equivalents at the beginning of the financial half-year		76,389	1,102,904
Cash and cash equivalents at the end of the financial half-year		1,387,657	744,758

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

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Connexion Media Limited
Notes to the consolidated financial statements
31 December 2016

Note 1. General information

The financial statements cover Connexion Media Limited (the Company) as a consolidated entity and the entities it controlled at the end of, or during, the period (the consolidated entity). The financial statements are presented in Australian dollars, which is the functional and presentation currency of all entities in this consolidated entity.

Connexion Media Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 3, 600 St Kilda Road
MELBOURNE, VIC 3004

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 February 2017.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted
The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. None of those that were adopted materially impacted upon these financial statements.

Going concern
The financial statements have been prepared on the going concern basis, which assumes the continuity of normal business activities, and the realisation of assets and the settlement of liabilities in the ordinary course of business.

During the half year ended 31 December 2016, the consolidated entity incurred an operating loss of $1,800,258 (2015: $3,258,032), incurred cash outflows from operations of $1,927,087 (2015: $2,699,405) and as of that date current liabilities exceeded current assets by $1,735,884 (30 June 2016: $3,246,201). As at 31 December 2016 cash and cash equivalents were $1,387,657 (30 June 2016: $76,389).

Included in current liabilities, and as disclosed in Note 2, the consolidated entity has $2,000,000 of convertible notes which mature in August 2017, and which if not converted at the option of the holder will be redeemed for cash. As at the date of this report, the consolidated entity does not have sufficient working capital to make this redemption.

In determining the appropriateness of the going concern basis of preparation, the directors have considered the following matters:

— The activities of the consolidated entity are still in their infancy and as disclosed in the review of operations in the directors report, revenues are expected to grow. As also disclosed in the review of operations, a number of new revenue generating contracts have recently been secured, and as such the directors expect that revenues over the coming 12 months will exceed those of prior periods. Due to the nature of the consolidated entity's product offering, the business model is such that future sales are expected to generate higher margins that existing contracts ultimately resulting in higher profits to the group;

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Note 2. Significant accounting policies (continued)

- The directors are currently in advance discussions with a number of brokers and other parties to secure additional funding via the issue of convertible notes and through private placement. The terms of any funding are yet to be finalised, however the directors are confident that funding will be secured in the short term;
- The Company has the ability to raise further funds through the issue of share capital and has a proven track record of being able to do so;
- Subsequent to the end of the reporting period and as disclosed in Note 9, the directors have implemented a plan to reduce operational expenditures to a more sustainable level. This will result in a significant reduction in cash outflows in the future. The consolidated entity will further continue to seek cost effective ways to promote its business services within the constraints of available cash resources; and
- The consolidated entity may, if required, seek to obtain secured debt funding in relation to its expected 2016/2017 research and development grant refund.

Accordingly, it is for the above reasons that the directors believe the consolidated entity is a going concern and have therefore prepared the half year financial report on that basis.

In the event that the above initiatives do not eventuate there is uncertainty as to whether the consolidated entity will be able to continue as a going concern, and therefore realise its assets and extinguish its liabilities in the normal course of business and for the amounts stated in the half year financial statements. In the event the consolidated is unable to continue as a going concern, the half year financial statements do not any include adjustments that may be required.

Note 3. Operating segments

Identification of reportable operating segments
During the period ended 31 December 2016 the group operated in one segment, specialising in developing global information technology solutions for automotive industries in Australia.

Note 4. Current liabilities - Borrowings

	Consolidated	
	31 December 2016 $	30 June 2016 $
Convertible notes payable – Series 1	2,000,000	2,000,000
Other secured loan	357,105	354,699
	2,357,105	2,354,699

Convertible Notes

In August 2015 the Company announced the completion of a capital raising through the issue of convertible notes to sophisticated and professional investors, raising $2 million.

The key terms of the convertible notes are as follows:

- Interest rate of 12% compounding quarterly and is further compounded if not paid
- Conversion or redemption:
  - The company has the ability to determine whether or not to convert or redeem the note up until expiry (4 August 2017); however
  - The company's ability to redeem notes is only allowable between 1 February 2017 and 1 June 2017;
  - The note holder is entitled to convert to shares at any time, but during the period 1 February 2017 to 1 June 2017 must accept redemption terms (cash repayment) if the company serves a redemption notice.
  - Accrued and accumulated interest is repayable in cash
- In the event that the notes convert to equity they convert at $0.25 (25 cents) per share

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Note 4. Current liabilities - Borrowings (continued)

In the event that the company defaults on its obligations, the company is obliged to redeem the note. Default terms include:
- Failure to convert a conversion notice
- Change of control of company
- Sale of business or main undertaking
- Delisting from ASX
- Insolvency event

Secured loan

On 21 January 2013 the legal parent entity, Connexion Media Limited, entered into a loan agreement with a third party investor, which entitled the company to an advance of $357,105 on this date. The Company took up the one year extension option on the loan which now matures on 28 January 2018, with an annual interest rate of 15% payable as 4% on 28 January 2018 and the balance of 11% per annum payable in arrears which is rolled into the loan balance. There is no share conversion to equity option attached to the loan. The loan is secured by a registered charge over the company's real and intangible property.

Note 5. Non-current liabilities - Convertible Notes

	Consolidated	
	31 December 2016 $	30 June 2016 $
Convertible notes – Series 2	3,279,222	270,325

On 22 June 2016 the consolidated entity announced a raising of $5 million through the issue of Convertible Notes (Notes) to new and existing institutional and sophisticated investors. The raising was not fully subscribed.

The key terms of the convertible notes are as follows:
- 9.95% coupon, paid quarterly in advance;
- 24 month term;
- Partial or full conversion at the lower of A$0.15 or 80% of any future equity issue price (with 2 business days' notice) after the 12 months from the issue date
- Should >50% of notes convert within 12 months, a one-for-one 24 month 20c option will be issued pro-rata to all noteholders. There is also an Early Redemption Premium of 10% of the Face Value of the Note, which has to be repaid if the Notes are redeemed early;
- Failure of any of the following adds 5% premium (per item) to repayment:
  - Total Non-executive Director remuneration to remain below A$300k p.a. until company displays 4 consecutive quarters of positive operating cash flow or NPAT of A$3M+
  - Financial year revenue for 2017 and 2018 to exceed A$10m
  - Connexion has the option of redeeming early at any time at 10% premium (providing 60 days' notice) but not before 12 months. This is inclusive of the premiums noted above.

During the December 2016 half year, the Company issued 6,948 Tranche A Series 2 Convertible Notes and 27,550 Tranche B Series 2 Convertible Notes.

Note 6. Equity - issued capital

	Consolidated			
	31 December 2016 Shares	30 June 2016 Shares	31 December 2016 $	30 June 2016 $
Ordinary shares - fully paid	103,929,174	101,929,174	8,528,420	8,308,420
Share options	91,753,387	81,577,598	1,223,666	1,223,666
	195,682,561	183,506,772	9,752,086	9,532,086

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Note 6. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2016	101,929,174		8,308,420
Issue of shares for services provided to the Company	19 August 2016	2,000,000	$0.110	220,000
Balance	31 December 2016	103,929,174		8,528,420

Movements in share options

Details	Date	Shares	Issue price	$
Balance	1 July 2016	81,577,598		1,223,666
Issue of share options	6 July 2016	3,042,172	-	-
Issue of share options	6 July 2016	7,133,617	-	-
Balance	31 December 2016	91,753,387		1,223,666

Options issued during the half-year have been included in the above table as they were issued as free-attaching options to other equity instruments.

Note 7. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 8. Contingent liabilities

During the period the consolidated entity entered into a lease agreement in relation to its new offices and was required to deposit $80,989 over which a bank guarantee is held by lessor.

There may be financial impact on options issued under the Convertible Note issue during the period. Refer to note 5 for information on the convertible note.

Note 9. Events after the reporting period

On 9 February 2017, the consolidated entity issued 3,711 fully paid ordinary shares in relation to the conversion of 3,711 options with an exercise price of $0.20 (20 cents) per option.

On 23 February 2017, the consolidated entity announced that in order to take up annual cost savings of 2.4 million, it has reduced its workforce by 32% and reduced other overhead costs. This will result in in a 31% reduction in wages expenses and a saving of $1.2 million; and a reduction of other overheads across the business of 48%, which will represent a cost saving of approximately $1.2 million.

No other matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 10. Fair value measurement

The fair value of the consolidated entity's financial assets and financial liabilities approximates the carrying values.

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Note 11. Loss per share

	Consolidated	
	31 December 2016 $	31 December 2015 $
Loss after income tax attributable to the owners of Connexion Media Limited	(1,800,258)	(3,258,032)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic loss per share	103,393,655	84,693,092
Weighted average number of ordinary shares used in calculating diluted loss per share	103,393,655	84,693,092
	Cents	**Cents**
Basic loss per share	(1.74)	(3.85)
Diluted loss per share	(1.74)	(3.85)

The options held by option holders were not included in the weighted average number of ordinary shares used in calculating dilutive earnings per share as they did not meet the requirements for inclusion as outlined in AASB 133 "Earnings per Share". The options were non-dilutive as the consolidated entity made a loss for the year.

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Connexion Media Limited
Directors' declaration
31 December 2016

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

George Parthimos
Managing Director

28 February 2017

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William Buck

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF CONNEXION MEDIA LIMITED AND ITS CONTROLLED ENTITIES

Report on the Half-Year Financial Report

We have reviewed the accompanying consolidated half-year financial report consisting of Connexion Media Limited (the company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including:

- giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and
- complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

As the auditor of Connexion Media Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

CHARTERED ACCOUNTANTS & ADVISORS

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF CONNEXION MEDIA LIMITED AND ITS CONTROLLED ENTITIES (CONT)

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Connexion Media Limited is not in accordance with the Corporations Act 2001 including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half year ended on that date; and
b) complying with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Regulations 2001.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the half-year financial report, which indicates that the Company incurred a net loss of $1,800,258 during the half-year ended 31 December 2016 and, as of that date, the Company's current liabilities exceeded its current assets by $1,735,884. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

N. S. Benbow
Director

Date this 28th day of February, 2017