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 2017
Previous period:	For the half-year ended 31 December 2016

2. Results for announcement to the market

				$
Revenues from ordinary activities	up	176%	to	978,967
Profit from ordinary activities after tax attributable to the owners of Connexion Media Limited	up	151%	to	926,174
Profit for the half-year attributable to the owners of Connexion Media Limited	up	151%	to	926,174

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

Comments
The profit for the consolidated entity after providing for income tax amounted to $926,174 (31 December 2016 loss: $1,800,258).

Total revenues from ordinary activities for the period were $978,967 (2016: $354,619). The consolidated entity also recognised $1,522,074 in R&D tax incentive amounts receivable during the half-year period (2016: $2,392,671).

The working capital position of the Company at 31 December 2017 was a surplus of $369,380, which was an increase from the deficiency at 30 June 2017 of ($2,969,448).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	0.05	(4.82)

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.

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

---

7. Dividend reinvestment plans

Not applicable.

---

8. Details of associates and joint venture entities

Not applicable.

---

9. Foreign entities

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

Not applicable.

---

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.

---

11. Attachments

Details of attachments (if any):

The Half-Year Financial Report of Connexion Media Limited for the half-year ended 31 December 2017 is attached.

---

12. Signed

Signed: Date: 28 February 2018

David Connolly
Executive Director

Connexion Media Limited

ABN 68 004 240 313

Half-Year Financial Report - 31 December 2017

Connexion Media Limited
Contents
31 December 2017

Connexion Media Limited
Corporate directory
31 December 2017

Directors	Mark Caruso (Non-Executive Director) David Connolly (Executive Director) Robert Downey (Non-Executive Director)
Company secretary	Peter Torre
Registered office	Level 1, 11-19 Bank Place Melbourne, VIC 3000 Phone: +61 3 9529 2655
Principal place of business	Level 1, 11-19 Bank Place Melbourne, VIC 3000
Share register	Boardroom Pty Limited Level 12, 225 George Street Sydney NSW 2000 Phone: +61 2 9290 9600
Auditor	William Buck 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

Connexion Media Limited
Directors' report
31 December 2017

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 2017.

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,

Mark Caruso (Non-Executive Director
David Connolly (Executive Director)
Robert Downey (Non-Executive Director)

Principal activities
During the financial half-year the principal activities of the consolidated entity consisted of:
- Carrying out its endeavours to realise revenue streams from its core activities, Commercial Link and Software Development.

Review of operations
The profit for the consolidated entity after providing for income tax amounted to $926,174. (31 December 2016 loss: $1,800,258).

Total revenues from ordinary activities for the period were $978,967 (2016: $354,619). The consolidated entity also recognised $1,522,074 in R&D tax incentive amounts receivable during the half-year period (2016: $2,392,671). There was an overall decrease in employment costs and operating activities during the period, following an increase in amortisation relating to our R&D activities.

The net assets of the consolidated entity increased during the half-year by $7,154,088 to a net asset surplus of $809,317. The improvement in the net assets was a result of operational performance, conversion of the convertible notes and further development of our intellectual properties.

Operational update:

The company has maintained a focus on increasing revenues and decreasing costs. Key achievements in the last 6 months have been realizing revenues and project progress with key clients, extinguishing substantial debts and maintaining an appropriate level of headcount through the period.

The company was awarded the Deloitte Fast 500 10th Fastest growing company in Asia Pacific in December, with growth on a percentage basis of 3278%.

General Motors Commercial Link

Our revenue share project with General Motors to deliver the Commercial Link programs to fleet managers has delivered anticipated revenues. We announced on 22 May 2017 the sales territory expansions to Canada and Mexico, the project to localize the technology and operations to those territories has been substantially completed. The General Motors companies in those respective regions will seek to expand the adoption of Commercial Link, in line with other OnStar services, as the new model vehicles are sold with connectivity to the OnStar platform.

From a product adoption perspective in the United States territory we have seen an increase in fleet managers using the tool, from 300 in August 2017 to 387 in February 2018. With the increasing adoption of the Commercial Link program for fleet management we have seen an increase in free trial usage, the effort from General Motors to increase the use of contemporary digital marketing techniques from January 2018 is anticipated to further free trial uptake.

Outlook:

As it relates to the General Motors relationship the company anticipates conservative growth of the Commercial Link platform whilst continuing to bid for further project opportunities leveraging the OnStar Application Programming Interface connectivity. The potential use cases for the OnStar data have expanded, with the company engaged in designing proof of concept projects for compliance requirements as an example. Our competitive advantage in the supply of these projects is the ability to reuse existing digital infrastructure and expand on substantial investments in high capacity service bus connectivity.

The company has announced it will acquire Security Shift Group ("SSG") on 10 January 2018 (see further details below). The acquisition will achieve the following strategic objectives:

- Balancing the revenue portfolio with the General Motors contract
- Refurbishing the Executive team with skills in delivery of large scale technology projects
- Acquiring two cloud platforms designed to Defence Signal Directorate PROTECTED level requirements, replacing reliance on external cloud computing services for major projects

Further to the above the company will continue to seek acquisition opportunities (companies or assets) that fall into a Platform as a Service-operating model.

CORPORATE

Board Changes

No changes to the board of directors have occurred since the publication of the 30 June 2017 Annual Financial Statements.

Significant changes in the state of affairs

On 27 November 2017 the consolidated entity announced the conversion of all Series 1 and Series 2 Convertible Notes and accrued interest at a share price of $0.0104. A total of 599,289,246 fully paid ordinary shares were issued upon conversion. The consolidated entity had also completed a placement of 384,615 shares at a share price of $0.0130 to cover the costs associated with the negotiations and conversions of the Convertible Notes.

On 8 December 2017, the consolidated entity issued a prospectus for the non-renounceable entitlement offer to issue 1 fully paid ordinary share for every 6 shares held at an issue of $0.01 per share to raise up an approximate $1,195,995 (before costs). Refer to matters subsequent to the end of the financial half-year.

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

Matters subsequent to the end of the financial half-year

On 19 February 2018, the consolidated entity advised that it has received the net 2017 Research and Development Rebate (R&D Rebate) of $1,339,455 ($1,522,074 less fees imposed by the ATO). Subsequent to this, the consolidated entity settled the Short-Term Facility provided by Principis Master Fund SPC – Lucerne Composite Master Fund SP, which has an outstanding balance of $808,100 (principal and capitalised interest), and proceeded to seek the release of any associated security.

On 10 January 2018, the consolidated entity announced that it had entered into an exclusive binding term sheet to acquire 100% ownership of the Security Shift Group of companies ("SSG"). The consideration for the acquisition is expected to comprise the following:

- An upfront investment by CXZ of $1.8 million in new shares in SSG;
- The payment of $1,194,800 via the issue of new shares in CXZ to the shareholders of SSG at $0.01 per share to acquire all the outstanding shares on issue in SSG;
- The payment of up to $2,005,000 via the issue of new shares in CXZ to the shareholders of SSG at the 90-day Volume Weighted Average Price, subject to conditions.

Completion of the acquisition is subject to the satisfaction or waiver of the following material conditions precedent (**Conditions Precedent**):

(a) CXZ obtaining all shareholder approvals required under the Listing Rules or any other approvals and procedures required by the ASX in relation to the Transaction;

(b) CXZ and SSG shareholders executing a definitive sale and purchase agreement, including standard representation and warranties for an agreement of that nature (**Definitive Agreement**);

(c) compliance in all material respects by each Party of its covenants and the representations and warranties provided for in the Definitive Agreement being true and correct as at Completion;

(d) no material adverse events occurring to SSG or its subsidiaries;

(e) SSG and CXZ working together to obtain any necessary approvals for a change of control pursuant to any existing contracts; and

(f) CXZ completing due diligence to its satisfaction of all legal, financial and technical aspects of SSG and the contracts, and the industry within which it operates.

(g) CXZ and each of the Vendors negotiating an employment / engagement agreement on terms acceptable to each party that is to be executed on Closing.

(h) CXZ and SSG entering into a subscription agreement with respect to the Share Subscription (**Subscription Agreement**);

(i) CXZ, SSG and the Vendors entering into a deed of termination with respect to the termination and repayment of the Vendor Loans on Completion and following the partial conversion set out in paragraph (k) below (**Deed of Termination**);

(j) CXZ completing either an equity or debt raising to enable CXZ to fund the Subscription Consideration on terms and conditions determined by CXZ in its absolute discretion; and

(k) the Vendors and SSG converting an amount of $332,850.91 being interest on the Vendor Loans at a deemed conversion price of $38.89 into 8,559 SSG shares prior to Completion.

If all of the Conditions Precedent are not satisfied, or waived, on or before 5:00pm (AEST) on 31 March 2018 (or such later date as the Parties may agree in writing), then either Party may terminate by notice in writing to the other Parties and the Parties will be released from their obligations under the Agreement other than in respect of any breaches that occurred prior to termination).

The Board has secured a credit facility of $500,000 to fund the acquisition, with Lucerne Investment Partners. This facility is secured by a PPSA Security Interest taken in all the borrowers present and after the acquired property. CXZ is to appoint a representative of Lucerne Investment Partners as a director of the company within 30 days of initial drawdown. The initial drawdown has not yet occurred. This facility accrues interest at 9.5% per annum compounded monthly, with a default rate of 19.5%.

On 24 January 2018, the consolidated entity announced that the 8 December 2017 pro-rata non-renounceable entitlement offer to issue 1 fully paid ordinary share for every 6 shares held at an issue of $0.01 per share to raise up an approximate $1,195,995 (before costs) closed on 19 January 2018, undersubscribed. The consolidated entity received applications for 15,208,377 from eligible shareholders, raising $152,084 (approximately 12.7% of all shares under the entitlement offer).

The directors will now proceed to place the remaining 119,599,456 shares within the 3-month period as set out in the prospectus lodged with the ASX on 8 December 2017.

On 23 February 2018, the other secured loan was rolled forward for 12 months, with an effective interest rate of 18.33% per annum, paid quarterly in arrears.

On 27 February 2018, the consolidated entity received a claim for employment-related damages of approximately US$193,000 from an ex-employee. The Board of Directors plan to defend the claim and considers the matter to be without merit and consider the likelihood of a negative outcome for the consolidated entity to be remote. .Accordingly, no provision has been raised in the half-year financial report in respect of this matter.

No other matter or circumstance has arisen since 31 December 2017 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

David James Connolly
Executive Director

28 February 2018

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

I declare that, to the best of my knowledge and belief during the half-year ended 31 December 2017 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

J. C. Luckins
Director
Dated this 28th day of February, 2018

CHARTERED ACCOUNTANTS
& ADVISORS
Level 20, 181 William Street
Melbourne VIC 3000
Telephone: +61 3 9824 8555
williambuck.com

Connexion Media Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2017

	Note	Consolidated 31 December 2017 $	31 December 2016 $
Sales revenue		978,967	354,619
R&D tax incentive		1,522,074	2,392,671
Expenses			
Research and development costs		(60,016)	(963,740)
Amortisation of intangible assets		(108,304)	-
Administrative and corporate expenses		(111,178)	(1,162,078)
Employee benefits expense		(244,434)	(1,796,875)
Marketing expenses		(10,278)	(79,027)
Travelling expenses		(24,386)	(172,015)
Finance costs		(780,606)	(312,953)
Occupancy		(54,534)	(50,448)
Foreign Currency Gain/Loss		1,488	(10,412)
Profit/(loss) before income tax expense		1,108,793	(1,800,258)
Income tax expense		(182,619)	-
Profit/(loss) after income tax expense for the half-year attributable to the owners of Connexion Media Limited		926,174	(1,800,258)
Other comprehensive expense for the half-year, net of tax		(5,495)	-
Total comprehensive profit/(loss) for the half-year attributable to the owners of Connexion Media Limited		920,679	(1,800,258)
		Cents	**Cents**
Basic profit/(loss) per share	11	0.58	(1.74)
Diluted profit/(loss) per share	11	0.25	(1.74)

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

Connexion Media Limited
Consolidated statement of financial position
As at 31 December 2017

	Note	Consolidated 31 December 2017 $	Consolidated 30 June 2017 $
Assets			
Current assets			
Cash and cash equivalents		275,368	367,194
Trade and other receivables		129,492	49,437
Tax rebate receivable		1,522,074	-
Inventory		21,962	84,772
Work in progress and other assets		68,066	-
Total current assets		2,016,962	501,403
Non-current assets			
Capitalised development asset	8	433,217	-
Plant and equipment		4,111	7,192
Other		2,609	-
Total non-current assets		439,937	7,192
Total assets		2,456,899	508,595
Liabilities			
Current liabilities			
Trade and other payables		335,510	771,055
Tax payable		182,619	-
Employee benefits		55,350	95,097
Convertible notes	4	-	2,000,000
Borrowings	4	1,074,103	604,699
Total current liabilities		1,647,582	3,470,851
Non-current liabilities			
Convertible Notes	5	-	3,380,782
Other non-current liabilities		-	1,733
Total non-current liabilities		-	3,382,515
Total liabilities		1,647,582	6,853,366
Net assets/(liabilities)		809,317	(6,344,771)
Equity			
Issued capital and options	6	15,596,455	9,363,046
Accumulated losses		(14,781,643)	(15,707,817)
Foreign currency translation reserve		(5,495)	-
Total equity / (deficiency)		809,317	(6,344,771)

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

Connexion Media Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2017

Consolidated	Issued Capital $	Foreign currency translation reserve $	Accumulated losses $	Total equity / (deficiency) $
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)

Consolidated	Issued Capital $	Foreign currency translation reserve $	Accumulated losses $	Total equity / (deficiency) $
Balance at 1 July 2017	9,363,046	-	(15,707,817)	(6,344,771)
Profit after income tax expense for the half-year	-	-	926,174	926,174
Other comprehensive loss for the half-year, net of tax	-	(5,495)	-	(5,495)
Total comprehensive income / (loss) for the half-year	-	(5,495)	926,174	920,679
Transactions with owners in their capacity as owners:				
Issue of shares from conversion of convertible notes	6,232,609	-	-	6,232,609
Issue of shares from placement	5,000	-	-	5,000
Issue of shares from new issue	1,300	-	-	1,300
Transaction costs	(5,500)	-	-	(5,500)
Balance at 31 December 2017	15,596,455	(5,495)	(14,781,643)	809,317

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

Connexion Media Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2017

	Note	Consolidated 31 December 2017 $	Consolidated 31 December 2016 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		929,539	269,809
Payments to suppliers and employees		(1,356,485)	(4,089,406)
R&D tax incentive refunds		-	2,392,671
Interest received		-	6,014
Net cash used in operating activities		(426,946)	(1,420,912)
Cash flows from investing activities			
Proceeds from disposal of PPE		5,080	-
Net cash provided by investing activities		5,080	-
Cash flows from financing activities			
Proceeds from issue of shares		6,300	-
Proceeds from borrowings		400,000	2,985,267
Finance costs on borrowings		(16,188)	(253,087)
Net cash from financing activities		390,112	2,732,180
Net (decrease)/ increase in cash and cash equivalents		(31,754)	1,311,268
Cash and cash equivalents at the beginning of the financial half-year		367,194	76,389
Effect of movements in foreign exchange		(60,072)	-
Cash and cash equivalents at the end of the financial half-year		275,368	1,387,657

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

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 1, 11-19 Bank Place
Melbourne, VIC 3000

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 the date of signing the Directors' Declaration, which forms part of this report.

Note 2. Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2017 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 2017 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, except as stated below.

New accounting policies applied - development costs and research and development tax incentive
Intangible assets are initially recognised at cost. Finite life intangible assets are subsequently measured at cost less accumulated amortisation and any impairment. The method and useful lives of finite life intangible assets are reviewed annually. Refer to note 8.

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.

Total revenues for the period were $2,501,042 (2016: $2,747,290). The increase in revenue during the period was a result of the R&D tax incentive receivable amounting to $1,522,074 being accounted for in the half-year period (2016: $2,392,671) as a result of the increase in R&D activities undertaken. There was also an increase in sales revenue to $978,968 (2016: $354,619).

Furthermore, strategies undertaken since the previous financial year resulted in a decrease in its operating expenditure, improved operational performance, and an increase in the intellectual properties developed in the company's intangible asset base. The working capital position of the Consolidated Entity at 31 December 2017 was a surplus of $369,380, which was increased from the deficiency at 30 June 2017 by $3,338,828. Cash and cash equivalents at 31 December 2017 were $275,368 (30 June 2017: $367,194).

Note 2. Significant accounting policies (continued)

The Consolidated Entity's working capital position was also improved following the conversion of all Series 1 and Series 2 Convertible Notes and accrued interest at a share price of $0.0104 in November 2017. A total of 599,289,246 fully paid ordinary shares were issued upon conversion. The consolidated entity also completed a placement of 384,615 shares at a share price of $0.0130 to cover the costs associated with the negotiations and conversions of the Convertible Notes

On 23 February 2018, the other secured loan was rolled forward another 12 months, at an effective interest rate of 18.33% per annum paid quarterly in arrears. The Consolidated Entity also has additional funds available via the Line of Credit.

The Directors have prepared a cash flow forecast for a period of at least 12 months from the date of this report for the purpose of ensuring the Consolidated Entity can meet its debts as and when they fall due. The forecast indicates that current cash reserves coupled with the generation of sales revenue, the confirmed receipt of the research and development incentive grant and additional funds available via the Line of Credit if required, are sufficient cash to cover forecast cash outflows for a period of at least 12 months from the date of this report.

Accordingly, the financial report has been prepared on the going concern basis based on the ability of the consolidated entity to achieve sufficient cash inflows from sales and raise further equity, where necessary, to fund working capital

Note 3. Operating segments

Identification of reportable operating segments
During the period ended 31 December 2017 the Consolidated Entity operated in one segment, specialising in developing global information technology solutions for automotive industries in Australia.

Note 4. Current liabilities - Borrowings

	Consolidated	
	31 December 2017 $	30 June 2017 $
Convertible notes payable – Series 1	-	2,000,000
Other secured loan	305,500	354,699
Line of credit	768,603	250,000
	1,074,103	2,604,699

Convertible Notes
On 27 November 2017 the consolidated entity announced the conversion of all Series 1 and Series 2 Convertible Notes and accrued interest at a share price of $0.0104. A total of 599,289,246 fully paid ordinary shares were issued upon conversion. The consolidated entity had also completed a placement of 384,615 shares at a share price of $0.0130 to cover the costs associated with the negotiations and conversions of the Convertible Notes.

Secured loan On 21 January 2013 the legal parent entity, Connexion Media Limited, entered into a loan agreement with a third party investor. The principle balance at that date was $357,105, with an annual interest rate of 11% per annum payable quarterly in arrears. The maturity date was reached on 28 January 2018, and the loan has rolled forward for an additional 12 months at an effective interest rate of 18.33% per annum payable quarterly in arrears. The balance is now disclosed at redemption value, with the amortised costs expensed through the statement of comprehensive profit or loss. 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.

Line of credit At 30 June 2017, the Company announced the finalisation and execution of a Loan Facility Agreement with Lucerne Composite Master Fund SP ("Lucerne") for a facility of up to $1 million. The Facility is in the form of a revolving corporate line of credit and will be secured by way of a charge over CXZ's Research and Development (R&D) Tax Rebate. The first $250,000 was received on 30 June 2017. During the half year ended 31 December 2017, the Company drew a further $400,000. The Facility incurs interest at 36% per annum, payable monthly in arrears, and the principal will be repaid upon cash receipt of the R&D Tax Rebate. The interest to date has been capitalised with the loan principal in anticipation for settlement as soon as the R&D Tax Rebate is received in cash. The balance at 31 December 2017 comprises $650,000 principal, and $118,603 of interest and fees capitalised.

Note 5. Non-current liabilities - Convertible Notes

	Consolidated	
	31 December 2017 $	**30 June 2017 $**
Convertible notes – Series 2	-	3,279,222

Refer to Note 4. The Series 2 Convertible Notes were fully converted into ordinary shares on 27 November 2017.

Note 6. Equity - issued capital

	Consolidated			
	31 December 2017 Shares	**30 June 2017 Shares**	**31 December 2017 $**	**30 June 2017 $**
Ordinary shares - fully paid	717,596,735	117,822,774	15,596,455	9,363,046
Share options	10,175,789	10,175,789	-	-
	727,772,524	127,998,563	15,596,455	9,363,046

Movements in ordinary share capital

Details	**Date**	**Shares**	**Issue price**	**$**
Balance	1 July 2017	117,822,774		9,363,046
Conversion of Series 1 Notes	27 November 2017	218,275,454	$0.0104	2,270,064
Conversion of Series 1 Notes	27 November 2017	381,013,892	$0.0104	3,962,545
Issue of shares	27 November 2017	384,615	$0.0130	5,000
Issue of shares	8 December 2017	100,000	$0.0130	1,300
Costs of issuing equity	31 December 2017	````		(5,500)
Balance	31 December 2017	717,596,735		15,596,455

Movements in share options

Details	**Date**	**Shares**	**Issue price**	**$**
Balance	1 July 2017	10,175,789		-
Balance	31 December 2017	10,175,789		-

Note 7. Contingent liabilities

Other than the matter described in Note 10 there are no contingent liabilities as at 31 December 2017.

Note 8. Capitalised development asset and R&D tax incentives

From 1 July 2017, the Company recognized developed intangible assets in terms of its AusInd and ATO R&D tax incentive programme. These intangible assets comprised the key technologies developed for use in the Company's operations – telematics and wireless communications.

Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Company is able to use or sell the assets; the Company has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 years. Research costs are expensed in the period in which they are incurred.

The total R&D tax incentive receivable is apportioned between other income and the capitalised development asset based on the split of expenditure in the claim. R&D tax incentives are recognised as income on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the rebates are intended to compensate.

	Consolidated	
	31 December 2017 $	**30 June 2017 $**
Development asset – at cost	541,521	-
Less: Accumulated amortisation	(108,304)	-
	433,217	-

Note 9. Fair value measurement

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

Note 10. Events after the reporting period

On 19 February 2018, the consolidated entity advised that it has received the net 2017 Research and Development Rebate (R&D Rebate) of $1,339,455.09 ($1,522,074 less fees imposed by the ATO). Subsequent to this, the consolidated entity settled the Short-Term Facility provided by Principis Master Fund SPC – Lucerne Composite Master Fund SP, which has an outstanding balance of $808,100 (principal and capitalised interest), and proceeded to seek the release of any associated security.

On 10 January 2018, the consolidated entity announced that it had entered into an exclusive binding term sheet to acquire 100% ownership of the Security Shift Group of companies ("SSG"). The consideration for the acquisition is expected to comprise the following:

- An upfront investment by CXZ of $1.8 million in new shares in SSG;
- The payment of $1,194,800 via the issue of new shares in CXZ to the shareholders of SSG at $0.01 per share to acquire all the outstanding shares on issue in SSG;
- The payment of up to $2,005,000 via the issue of new shares in CXZ to the shareholders of SSG at the 90-day Volume Weighted Average Price, subject to conditions.

Completion of the acquisition is subject to the satisfaction or waiver of the following material conditions precedent (**Conditions Precedent**):

(l) CXZ obtaining all shareholder approvals required under the Listing Rules or any other approvals and procedures required by the ASX in relation to the Transaction;

(m) CXZ and SSG shareholders executing a definitive sale and purchase agreement, including standard representation and warranties for an agreement of that nature (**Definitive Agreement**);

(n) compliance in all material respects by each Party of its covenants and the representations and warranties provided for in the Definitive Agreement being true and correct as at Completion;

(o) no material adverse events occurring to SSG or its subsidiaries;

(p) SSG and CXZ working together to obtain any necessary approvals for a change of control pursuant to any existing contracts; and

(q) CXZ completing due diligence to its satisfaction of all legal, financial and technical aspects of SSG and the contracts, and the industry within which it operates.

(r) CXZ and each of the Vendors negotiating an employment / engagement agreement on terms acceptable to each party that is to be executed on Closing.

(s) CXZ and SSG entering into a subscription agreement with respect to the Share Subscription (**Subscription Agreement**);

(t) CXZ, SSG and the Vendors entering into a deed of termination with respect to the termination and repayment of the Vendor Loans on Completion and following the partial conversion set out in paragraph (k) below (**Deed of Termination**);

(u) CXZ completing either an equity or debt raising to enable CXZ to fund the Subscription Consideration on terms and conditions determined by CXZ in its absolute discretion; and

(v) the Vendors and SSG converting an amount of $332,850.91 being interest on the Vendor Loans at a deemed conversion price of $38.89 into 8,559 SSG shares prior to Completion.

If all of the Conditions Precedent are not satisfied, or waived, on or before 5:00pm (AEST) on 31 March 2018 (or such later date as the Parties may agree in writing), then either Party may terminate by notice in writing to the other Parties and the Parties will be released from their obligations under the Agreement other than in respect of any breaches that occurred prior to termination).

Note 10. Events after the reporting period (continued)

The Board has secured a credit facility of $500,000 to fund the acquisition, with Lucerne Investment Partners. This facility is secured by a PPSA Security Interest taken in all the borrowers present and after the acquired property. CXZ is to appoint a representative of Lucerne Investment Partners as a director of the company within 30 days of initial drawdown. The initial drawdown has not yet occurred. This facility accrues interest at 9.5% per annum compounded monthly, with a default rate of 19.5%.

On 23 February 2018, the other secured loan was rolled forward for 12 months, with an effective interest rate of 18.33% per annum, paid quarterly in arrears.

On 24 January 2018, the consolidated entity announced that the 8 December 2017 pro-rata non-renounceable entitlement offer to issue 1 fully paid ordinary share for every 6 shares held at an issue of $0.01 per share to raise up an approximate $1,195,995 (before costs) closed on 19 January 2018, undersubscribed. The consolidated entity received applications for 15,208,377 from eligible shareholders, raising $152,084 (approximately 12.7% of all shares under the entitlement offer).

The directors will now proceed to place the remaining 119,599,456 shares within the 3-month period as set out in the prospectus lodged with the ASX on 8 December 2017.

On 27 February 2018, the consolidated entity received a claim for employment-related damages of approximately US$193,000 from an ex-employee. The Board of Directors plan to defend the claim and considers the matter to be without merit and consider the likelihood of a negative outcome for the consolidated entity to be remote. .Accordingly, no provision has been raised in the half-year financial report in respect of this matter.

No other matter or circumstance has arisen since 31 December 2017 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 11. Profit/(loss) per share

	Consolidated	
	31 December 2017 $	**31 December 2016 $**
Profit/(loss) after income tax attributable to the owners of Connexion Media Limited	926,174	(1,800,258)
Diluted Profit/(loss) after income tax attributable to the owners of Connexion Media Limited	1,611,664	(1,800,258)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic loss per share	158,599,507	103,393,655
Weighted average number of ordinary shares used in calculating diluted loss per share	652,519,298	103,393,655
	Cents	**Cents**
Basic profit/(loss) per share	0.58	(1.74)
Diluted profit/(loss) per share	0.25	(1.74)

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".

Connexion Media Limited
Directors' declaration
31 December 2017

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 2017 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

David Connolly
Executive Director

28 February 2018

Connexion Media Limited

Independent auditor's review report to members

Report on the Review of the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report 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 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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.

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 2017 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 1 in the half-year financial report, which indicates that the Company incurred a net cash outflow from operations of $426,946 during the half-year ended 31 December 2017. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, 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.

Responsibilities of the Directors' 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.

CHARTERED ACCOUNTANTS & ADVISORS
Level 20, 181 William Street
Melbourne VIC 3000
Telephone: +61 3 9824 8555
williambuck.com

Auditor's Responsibilities for the Review of the Half-Year Financial Report
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 2017 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*.

William Buck.

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

J. C. Luckins
Director

Dated this 28th day of February, 2018