Connexion Media Limited

ABN 68 004 240 313

Annual Report - 30 June 2017

Connexion Media Limited
Contents
30 June 2017

Directors	David James Connolly (Appointed 22 November 2016) Mark Caruso (Appointed 3 April 2017) Robert Downey (Appointed 26 June 2017)
Company secretary	Peter Torre (Appointed 3 April 2017)
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 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.connexionltd.com

Connexion Media Limited
Directors' report
30 June 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 year ended 30 June 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, unless otherwise stated.
Mark Caruso (Non-Executive Director) (Appointed 3 April 2017)
David Connolly (Executive Director) (Appointed 22 November 2016)
Robert Downey (Non-Executive Director) (Appointed 26 June 2017)
George Parthimos (Managing Director) (Resigned 25 June 2017)
John Conomos (Chairman and Non-executive Director) (Resigned 30 March 2017)
John Dimitropoulos (Non-executive Director) (Resigned 30 March 2017)
Eric Jiang (Executive Director) (Resigned 5 May 2017)

Principal activities
During the financial year the principal activities of the consolidated entity consisted of carrying out its endeavours to realise revenue streams from its two core products, CXZ Telematics and miRoamer.

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

Review of operations
The loss for the consolidated entity after providing for income tax amounted to $3,971,672 (30 June 2016: $6,860,709).

Revenue from CXZ Telematics, Flex and miRoamer increased to $1,056,207 (2016: $572,014), with a corresponding first-time charge relating to cost of sales of $494,903. During the year the consolidated entity decreased its expenditure relating to research and development costs to $793,905 (2016: $2,895,070). The decrease in R&D expenditure compared to the previous financial year was due to cost saving strategies employed by management in the final quarter of the financial year. Corporate and administrative expenses increased to $5,388,174 (2016: $4,668,536).

The net deficiency of the consolidated entity increased by $2,917,046 to a net deficiency of $6,344,771. The decrease was mainly due to the increase in convertible notes and borrowings secured during the financial year.

The consolidated entity has made changes that, both financially and culturally, have re-positioned Connexion Media Limited to perform in the coming 12 months. In the June 2017 quarterly report lodged with the ASX, the consolidated entity commented by organisational function the specific changes, and it is starting to see those changes graft and the consolidated entity habits stabilise, with hiring frozen until capital structure improved.

From a management perspective, the consolidated entity reduced the headcount temporarily in order to re-align the consolidated entity with client goals and financial performance. As stated in the quarterly, cost cutting is a tactic and not a strategy – in the coming months the consolidated entity will refurbish the team through a variety of sourcing strategies. Importantly, it will bring into the team talent who have strong technical skills and delivered software as a service programs on a global basis.

Strategically the consolidated entity has identified capabilities that it will develop in order to deliver its global client-focused operations. As a simple example, the delivery of software as a service across Europe where each jurisdiction observes differing practices around data processing. In order to comply with this, the consolidated entity will need to continually scrutinise its supply chain as well as internally develop capability for, where required, implementation of in-region data centres and production support practices.

Key financial drivers changed summarised:

	Half yearly	Current state
Board	5	3
Management	9	2
Development	20	3
Production Support	2	1
Cloud subscriptions	25,000*	6,500*

*note: subscriptions paid monthly

Changes in the financial drivers are effected through efficiencies and decision-making around financial performance of the various platforms under management, the changes have not impacted project progress or revenue performance. Additional savings in consulting spend has been achieved through bringing in-house disciplines, including digital asset management, web development, human resource management and contracts and legal.

All in all, the board is satisfied with the consolidated entity's strategic progress over the past 4 months and are actively working to achieve growth.

With regard to revenue, the consolidated entity has seen an increase in subscription from its GM Commercial Link rollout, however we are still a way from internally set goals. Whilst in the coming 12 months the consolidated entity will drive uptake, currently on a mathematical basis the consolidated entity doesn't have a large enough base of subscribers, or a significant enough period of time for measurement, to promote effects of its acquisition strategies. Needless to say, this is a focus area for the board and the consolidated entity will proactively change its business where required to achieve its revenue goals.

With regard to acquisition tactics we have implemented:

Commercial Link Promotional free period: General Motors sales team members have the ability to drive adoption through offering 3-12-month free period to prospect clients. The prospect rolls onto a paying subscription at the completion of the free period. Our current conversion rate is greater than 80%. Connexion Media Limited is paid to provide the services during the free period by General Motors.

WEX and CXZ Telematics multi-year discounts: For our Australian Platforms we have implemented a multi-year offer discount. This has been adopted by several clients and we are now increasing scope of offer.

With regard to cost, the consolidated entity has made significant changes that have flowed through to these results. The consolidated entity has moved to refurbishing management capability and this will be achieved without a net loss to the company.

The current board has assessed where we are at and where we are going. Factors that have influenced the consolidated entity's performance in previous years have been internal; any review of the external marketplace shows significant update in technology that can achieve components of the outcome we offer. In the next 12 months shareholders can anticipate stronger, sustainable, performance with three key themes; growth, innovation, talent.

Significant changes in the state of affairs

Other than disclosed elsewhere in this report, there were no significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 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.

Likely developments and expected results of operations

Other than matters already disclosed in the Review of operations, pursuant to sections 299(3) and 299A(3) of the Corporations Act 2001, this Report omits information relating to likely developments in the company's operations in the future because to do so will result, in the opinion of the Directors, in unreasonable prejudice to the consolidated entity.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Connexion Media Limited
Directors' report
30 June 2017

Information on directors

Name:	Mr Mark Caruso
Title:	Non-Executive Chairman (Appointed 3 April 2017)
Experience and expertise:	Mr Caruso is a successful executive and entrepreneur with a strong, transferrable business acumen. He has substantial corporate experience driving growth and creating value in small companies. Previously, Mr Caruso was the Chairman of Allied Gold Mining PLC (AGMP) and was responsible for the delivery of the Gold Ridge Project in the Solomon Island and the Simberi Gold Project in Papua New Guinea
Other current directorships:	Executive Chairman of Mineral Commodities Ltd since September 2000. Non-Executive Director of Perpetual Resources Limited since October 2013.
Former directorships (last 3 years):	None
Interests in shares:	4,319,680 Fully Paid Ordinary Shares, 6,050 Series 1 Convertible Notes
Interests in options:	Nil

Name:	Mr David Connolly
Title:	Executive Director (Appointed 22 November 2016)
Experience and expertise:	Mr Connolly is currently a Platform Sales Executive at Oracle. He has a long track record of successfully over-achieving on his sales targets across a range of industries and has extensive experience in driving growth in early stage companies. Mr Connolly is a Dean Scholarship-awarded graduate of the prestigious Swinburne International Bachelor of IT program and an Inferno Award-winning graduate of the IBM Global Sales School program
Other current directorships:	Nil
Former directorships (last 3 years):	None
Interests in shares:	Nil
Interests in options:	Nil

Name:	Mr Robert Downey
Title:	Executive Director (Appointed 26 June 2017)
Experience and expertise:	Robert is a qualified solicitor who has practised mainly in the areas of international resources law, corporate law and initial public offerings as well as mergers and acquisitions. He has extensive experience as an advisor, founder and director of various ASX, TSX and AIM companies. Mr Downey is currently a partner at Dominion Legal, a boutique law firm in Perth.
Other current directorships:	Nil
Former directorships (last 3 years):	None
Interests in shares:	Nil
Interests in options:	Nil

Name:	Mr George Parthimos
Title:	Managing Director (Resigned 25 June 2017)
Experience and expertise:	George has over 25 years Information and Communications Technology (ICT) experience specialising in Internet, networks and emerging products sectors. George also leads the innovation and project development as the Chief Architect and is supported by a team of engineers and developers and sales personnel.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	Nil
Interests in options:	Nil

Name:	Mr John Conomos
Title:	Non-executive Chairman (Resigned 30 March 2017)
Experience and expertise:	John was the ex-Chairman and CEO of Toyota Australia, and is one of the most respected people in the Australian automotive industry.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	Nil
Interests in options:	Nil

Name:	John Dimitropoulos
Title:	Non-Executive Director (Resigned 30 March 2017)
Experience and expertise:	Mr Dimitropoulos has in excess of 25 years-experience in the Technology, Media and Telecoms sector, specialising in Corporate Strategy and Development, particularly in digital media, digital music and telecoms.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	Nil
Interests in options:	Nil

Name:	Mr Eric Jiang
Title:	Executive Director (Resigned 5 May 2017)
Experience and expertise:	Eric has developed broad expertise as a corporate consultant and advisor, is currently Executive Director of ASX listed Perpetual Resources (ASX: PEC), and has been a Non-executive director of a number of listed companies in Australia and overseas.
Other current directorships:	Perpetual Resources Limited (ASX: PEC)
Former directorships (last 3 years):	None
Interests in shares:	Nil
Interests in options:	Nil

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary
Peter is the principal of Torre Corporate – a specialist corporate advisory firm which provides corporate secretarial services to a range of listed companies. Prior to establishing Torre Corporate, Peter was a partner and Chairman of the National Corporate Services Committee of an internationally affiliated firm of Chartered Accountants working within its corporate services division for over nine years.

Meetings of directors
The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2017, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Mark Caruso	6	6
David Connolly	7	8
Robert Downey	2	2
John Conomos	2	2
John Dimitropoulos	2	2
George Parthimos	5	5
Eric Jiang	3	4

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration report (audited)
The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration
The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:
- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:
- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors remuneration
Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive directors do not receive share options or other incentives.

ASX listing rules require the aggregate non-executive directors remuneration be determined periodically by a general meeting. The current aggregate remuneration limit is $250,000.

Executive remuneration
The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:
- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board, based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and product management.

The long-term incentives ('LTI') include long service leave and share-based payments. Shares are awarded to executives over a period of three years based on long-term incentive measures. These include increase in shareholders value relative to the entire market and the increase compared to the consolidated entity's direct competitors. The LTI program was not utilised in 2017 or 2016.

Consolidated entity performance and link to remuneration
Remuneration for certain individuals is directly linked to the performance of the consolidated entity. A portion of cash bonus and incentive payments are dependent on defined earnings per share targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Board.

The Board is of the opinion that the continued improved results can be attributed in part to the adoption of performance based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

Voting and comments made at the company's 2015 Annual General Meeting ('AGM')
At the 2016 AGM, 99.9% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2016. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration
Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2017	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
John Conomos	45,833	-	-	4,354	-	-	50,187
Mark Caruso	7,500	-	-	-	-	-	7,500
Robert Downey	-	-	-	-	-	-	-
John Dimitropoulos*	19,783	-	-	217	-	-	20,000
Executive Directors:							
David Connolly	18,068	-	-	1,716	-	-	19,784
Junior Barrett***	75,714	-	-	-	-	-	75,714
George Parthimos**	290,986	-	28,750	30,375	-	-	350,111
Eric Jiang**	148,125	-	-	14,072	-	-	162,197
	606,009	-	28,750	50,734	-	-	685,493

* John Dimitripoulos resigned 30 March 2017.
** George Parthimos resigned 25 June 2017. Eric Jiang resigned 5 May 2017.
*** Salary is translated from USD to AUD.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2016	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
John Conomos	50,562	-	-	4,803	-	-	55,365
Sean Habgood*	40,000	-	-	3,800	-	-	43,800
John Dimitropoulos**	4,566	-	-	4,194	-	-	8,760
Executive Directors:							
George Parthimos***	261,458	25,000	-	24,835	-	-	311,293
Eric Jiang***	191,250	-	-	18,169	-	-	209,419
Ashley Kelly	90,000	-	-	8,550	-	-	98,550
	637,836	25,000	-	64,351	-	-	727,187

* Sean Habgood retired 3 March 2016
** John Dimitripoulos commenced 3 March 2016
*** George Parthimos performed executive duties as Managing Director & Eric Jiang performed executive duties as Chief Strategy Officer

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2017	2016	2017	2016	2017	2016
Non-Executive Directors:						
Mark Caruso	100%	-	-	-	-	-
Robert Downey	100%	-				
John Conomos	100%	100%	-	-	-	-
Sean Habgood	100%	100%	-	-	-	-
John Dimitropoulos	100%	100%	-	-	-	-
Executive Directors:						
David Connolly	100%	-	-	-	-	-
Junior Barrett	100%	-	-	-	-	-
George Parthimos	90%	90%	10%	10%	-	-
Eric Jiang	100%	100%	-	-	-	-
Ashley Kelly	-	100%	-	-	-	-

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements were as follows:

Name:	Mr David Connolly
Title:	Executive Director
Agreement commenced:	22 November 2014
Term of agreement:	Concluded upon termination of services as employee
Details:	Details: Mr Connolly is remunerated at a level of $30,000 per annum (including superannuation). No bonuses were paid in 2017.

Name:	Mr Junior Barrett
Title:	Chief Executive Officer
Agreement commenced:	3 April 2017
Term of agreement:	Concluded upon termination of services as employee
Details:	Details: Mr Barrett was remunerated at a level of US$235,000 per annum (including motor vehicle allowance). No bonuses were paid in 2017.

Name:	Mr George Parthimos
Title:	Managing Director (resigned 27 June 2017)
Agreement commenced:	28 April 2014
Term of agreement:	Concluded upon termination of services as employee
Details:	Details: Mr Parthimos was remunerated at a level of $375,000 per annum (including superannuation and parking allowance). No bonuses were paid in 2017.

Name:	Mr Eric Jiang
Title:	Executive Director, Chief Strategy Officer (resigned 5 May 2017)
Agreement commenced:	28 April 2014
Term of agreement:	Concluded upon termination of services as employee
Details:	Details: Mr Jiang was remunerated at a level of $27,400 per annum (plus superannuation) for director duties and $197,100 per annum (including superannuation) for Chief Strategy Officer duties.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2017.

Options

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2017.

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2017.

Additional disclosures relating to key management personnel

Shareholding
The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Exercise of options	Additions	Disposals/ other	Disposal as a result resignation	Balance at the end of the year
Ordinary shares							
George Parthimos*	48,600,000	-	-	-	(39,160,733)	(9,439,267)	-
Ashley Kelly**	620,500	-	-	-	(620,500)	-	-
Eric Jiang***	7,563,000	-	-	-	(7,563,000)	-	-
John Conomos****	20,000	-	-	-	-	(20,000)	-
John Dimitropoulos****	166,667	-	-	-	-	(166,667)	-
Mark Caruso	-	-	-	4,319,680	-	-	4,319,680
David Connolly	-	-	-	-	-	-	-
Robert Downey	-	-	-	-	-	-	-
	56,970,167	-	-	4,319,680	(47,344,233)	(9,625,934)	4,319,680

* George Parthimos resigned 25 June 2017. At 20 June 2017, upon release of escrow, Mr. Parthimos disposed of 34,850,585 ordinary shares as part of an in specie distribution by Mi Media Holdings Limited's (an entity which he formally controlled up until the release of shares from escrow) shareholding in the consolidated entity to Mi Media Holdings Limited shareholders.
** Ashley Kelly resigned 26 July 2016.
*** Eric Jiang resigned 5 May 2017
**** John Conomos and John Dimitropoulos resigned 30 March 2017

Option holding
The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Disposal as a result of resignation	Balance at the end of the year
Options over ordinary shares					
George Parthimos	691,667	-	-	(691,667)	-
Eric Jiang	5,000,000	-	-	(5,000,000)	-
	5,691,667	-	-	(5,691,667)	-

All options on foot expired during the year.

This concludes the remuneration report, which has been audited.

Shares under option
Unissued ordinary shares of Connexion Media Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
6 July 2016	1 January 2018	$0.25	3,042,172
6 July 2016	7 July 2018	$0.25	7,133,617

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

On 6 July 2016, 3,042,172 unlisted options were issued with an exercise price of $0.25 expiring 1 January 2018, as well as an additional 7,133,617 unlisted options issued with an exercise price of $0.25 expiring on the second anniversary of their issue date. The options have been included in the above table as they were issued as free-attaching options to other equity instruments

Indemnity and insurance of officers
The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor
The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company
No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services
During the year no non-audit services were provided by the Company's auditor.

Officers of the company who are former partners of William Buck
There are no officers of the company who are former partners of William Buck.

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.

Auditor
William Buck continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

David Connolly
Director

28 September 2017

William Buck

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 year ended 30 June 2017 there have been:

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

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

William Buck

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

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

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Connexion Media Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

	Note	Consolidated 2017 $	Consolidated 2016 $
Revenue	5	1,056,207	572,014
Other income	5	2,415,420	722,902
Total Revenue	5	3,471,627	1,294,916
Cost of Sales		(494,903)	-
Gross Profit		2,976,724	1,294,916
Expenses			
Corporate and administrative expenses	6	(5,388,174)	(4,668,536)
Selling, distribution and marketing expenses	6	(241,296)	(180,664)
Research and development costs	6	(793,905)	(2,895,070)
Share re-quotation and transaction costs		-	(160,000)
Depreciation and amortisation expenses		(1,999)	(1,379)
Finance costs		(523,022)	(249,976)
Loss before income tax expense		(3,971,672)	(6,860,709)
Income tax expense	7	-	-
Loss after income tax expense for the year attributable to the owners of Connexion Media Limited		(3,971,672)	(6,860,709)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year attributable to the owners of Connexion Media Limited		(3,971,672)	(6,860,709)
		Cents	**Cents**
Basic loss per share	26	(3.77)	(7.69)
Diluted loss per share	26	(3.77)	(7.69)

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

Connexion Media Limited
Statement of financial position
As at 30 June 2017

	Note	Consolidated 2017 $	2016 $
Assets			
Current assets			
Cash and cash equivalents		367,194	76,389
Trade and other receivables		49,437	45,522
Prepayments	8	-	43,923
Inventory	9	84,772	-
Total current assets		501,403	165,834
Non-current assets			
Plant and equipment	10	7,192	7,812
Other non-current assets	11	-	80,989
Total non-current assets		7,192	88,801
Total assets		508,595	254,635
Liabilities			
Current liabilities			
Trade and other payables	12	771,055	1,014,287
Employee benefits	13	95,097	43,049
Convertible notes	14	2,000,000	2,000,000
Borrowings	15	604,699	354,699
Total current liabilities		3,470,851	3,412,035
Non-current liabilities			
Convertible notes	14	3,380,782	270,325
Other non-current liabilities		1,733	-
Total non-current liabilities		3,382,515	270,325
Total liabilities		6,853,366	3,682,360
Net assets/(liabilities)		(6,344,771)	(3,427,725)
Equity			
Issued capital	16	9,363,046	8,308,420
Issued options	16	-	1,223,666
Accumulated losses		(15,707,817)	(12,959,811)
Total equity/(deficiency)		(6,344,771)	(3,427,725)

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

Connexion Media Limited
Statement of changes in equity
For the year ended 30 June 2017

Consolidated	Issued Capital $	Accumulated losses $	Total equity $
Balance at 1 July 2015	6,466,155	(6,099,102)	367,053
Loss after income tax expense for the year	-	(6,860,709)	(6,860,709)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive loss for the year	-	(6,860,709)	(6,860,709)
Transactions with owners in their capacity as owners:			
Issue of shares (note 16)	2,568,062	-	2,568,062
Issue of share options (note 16)	608,435	-	608,435
Less capital raising expenditure (note 16)	(110,566)	-	(110,566)
Balance at 30 June 2016	9,532,086	(12,959,811)	(3,427,725)

Consolidated	Issued Capital $	Accumulated losses $	Total equity $
Balance at 1 July 2016	9,532,086	(12,959,811)	(3,427,725)
Loss after income tax expense for the year	-	(3,971,672)	(3,971,672)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive loss for the year	-	(3,971,672)	(3,971,672)
Transactions with owners in their capacity as owners:			
Issue of shares (note 16)	1,054,626	-	1,054,626
Net charges from option issuance/cancellation (note 16)	(1,223,666)	1,223,666	-
Balance at 30 June 2017	9,363,046	(15,707,817)	(6,344,771)

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

Connexion Media Limited
Statement of cash flows
For the year ended 30 June 2017

	Note	Consolidated 2017 $	2016 $
Cash flows from operating activities			
Receipts from customers		1,178,661	551,158
Payments to suppliers and employees		(6,915,981)	(7,396,039)
R&D tax refund received		2,392,671	722,902
Interest received		2,001	-
Interest and other costs of finance paid		(523,022)	(239,828)
Net cash used in operating activities	25	(3,865,670)	(6,361,807)
Cash flows from investing activities			
Net cash flows from the addition and disposal of plant and equipment	10	(1,379)	-
Security deposit release	11	80,989	-
Net cash used in investing activities		79,610	-
Cash flows from financing activities			
Proceeds from issues of shares, net of costs	16	834,626	3,065,971
Proceeds from issue of convertible notes, net of transaction costs	14	2,992,239	2,270,325
Cash flows from loans to other entities		-	(1,004)
Proceeds from borrowings, net of costs	15	250,000	-
Net cash from financing activities		4,076,865	5,335,292
Net increase/(decrease) in cash and cash equivalents		290,805	(1,026,515)
Cash and cash equivalents at the beginning of the financial year		76,389	1,102,904
Cash and cash equivalents at the end of the financial year		367,194	76,389

The above 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) and the entities it controlled at the end of, or during, the year (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 Pl,
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 28 September 2017. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending 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 a going concern basis, which assumes the continuity of normal business activities, the realisation of assets and the settlement of liabilities in the ordinary course of business. For the period ended 30 June 2017 the consolidated entity incurred a net loss of $3,971,672 (2016: $6,860,709). Net cash out-flows from operating, activities for the current year totalled $3,865,670 (2016: Outflows of $6,361,807). As at 30 June 2017 the consolidated entity had an excess of current liabilities over current assets of $2,969,448 (2016: 3,246,201) and an excess of total liabilities over total assets of $6,344,771 (2016: 3,427,725).

As at 30 June 2017 the Series 1 Convertible Notes, valued at $2,000,000 were due to mature in early August 2017. In addition the Series 2 Convertible Notes are due to mature in August and October 2018. As at the date of this report the Board are currently in detailed negotiations with all convertible note holders to review the structure of the notes.

The Series 1 and Series 2 Convertible Note Holders consist of the following:

1. 20,000 Series 1 Convertible Notes held by 50 Holders. 30.2% held by Regional Management Pty Ltd, an entity controlled by Mr Mark Caruso, a director of the Company

2. 34,499 Series 2 Convertible Notes held by 27 Holders. 28.99% held by Principis Master Fund SPC – Lucerne Composite Master Fund SP, an entity which provided a $1,000,000 line of credit on 28 June 2017

In order to extinguish the Convertible Note liabilities the Board has drafted a commercial term sheet as a result of their negotiations. The key terms of conversion of the Series 1 and Series 2 Convertible Notes are likely to be as follows;

- The issue of redeemable convertible preference shares as consideration for the cancellation of the Series 1 and Series 2 Convertible Notes held by Lucerne;
- A straight conversion of Serries 1 Convertible Notes into equity in consideration for the cancellation of the Series 1 Convertible Notes held by other parties;
- The Company completing a placement and rights issue in the first half of the 2018 financial year; and
- That all of the above will require approval at the Company's Annual General Meeting in November 2017.

As at the date of this report Lucerne has signed a letter of intent to support the proposed conversion transaction.

Furthermore, telematics services developed in 2016 generated revenues from distribution agreements with major US-based automotive manufacturers, earning the Company revenue of $1,056,207 (2016: $572,014). The Company expects revenue to increase further during the 2018 financial year.

During the financial year, the consolidated entity received $2,392,671 in cash in relation to research and development tax incentives in relation to activities undertaken in the 2016 financial year; and it forecasts to receive approximately $1,500,000 from its research and development activities for the 2017 financial year. The directors of the company have prepared a cash flow forecast from the date of this report to 31 December 2019 for the purpose of ensuring that it can meet its operating debts as and when they fall due. The cashflow forecast and management's financial analysis sets out the following:

- the expected receipt of approximately $1,500,000 from a research and development rebate which will be lodged with the Australian Taxation Office for the 2017 financial year;
- having obtained $1,000,000 line of credit to fund working capital and the repayment of any amounts owing under that line of credit through the receipt of the research and development rebate;
- the generation of approximately $800,000 in contractual cash flows from agreements with customers;
- having significantly reduced operating expenses due to restructuring of operations;
- successfully negotiating with existing Convertible note holders to convert their holdings into fully paid ordinary shares or other forms of equity instruments.

Accordingly, Directors believe the consolidated entity will be able to continue as a going concern and will be able pay its debts as and when they fall due for a period of at least 12 months from the date of these financial statements. Accordingly these financial statements do not include any adjustments in relation to the recoverability or classification of recorded assets or to the amounts of the classification of liabilities that may be necessary should the consolidated entity not be able to continue as a going concern.

Note 2. Significant accounting policies (continued)

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, and apply the going concern basis of accounting. Comparative figures have been adjusted to conform to changes in presentation for the current financial year where required by accounting standards and also to accurately align current and prior year expenses for presentation purposes. As a result of these changes there was no change in total comprehensive income or net assets recorded in the prior year.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Connexion Media Limited as at 30 June 2017 and the results of its controlled entities for the year then ended. Together these are referred to in these financial statements as the 'consolidated entity'.

Controlled entities are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over an entity, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Note 2. Significant accounting policies (continued)

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Government subsidies
Subsidies from the government including R&D tax incentive income, are recognised as income at their fair value where there is reasonable assurance that the grant will be received, the consolidated entity will comply with attached conditions and the R&D incentive is readily measurable.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Inventories
Inventory consists of sophisticated telemetry devices, and is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Note 2. Significant accounting policies (continued)

Plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives which are in between 3 - 10 years.

Trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

Convertible notes are initially classified as a financial liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The corresponding interest on convertible notes is expensed to profit or loss.

Finance costs
Finance costs are expensed in the period in which they are incurred.

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Note 2. Significant accounting policies (continued)

Issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2017. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity has made a preliminary assessment of the changes and does not expect any material impact on implementation.

AASB 15 Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity. The consolidated entity has made a preliminary assessment of the changes and does not expect any material impact on implementation. It is expected that the Company will adopt the modified retrospective approach.

Note 2. Significant accounting policies (continued)

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the consolidated entity. The consolidated entity has made a preliminary assessment of the changes and does not expect any material impact on implementation.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 4. Operating segments

Identification of reportable operating segments
During the year ended 30 June 2017 the group operated in one segment, specialising in developing global information technology solutions for automotive industries in Australia. For the year ended 30 June 2017 all of its sales revenue was from one customer.

Note 5. Revenue

	Consolidated 2017 $	Consolidated 2016 $
Sales revenue		
Sales	1,056,207	572,014
	1,056,207	572,014
Other income		
Interest	22,749	-
R&D tax offset	2,392,671	722,902
	2,415,420	722,902
Revenue	3,471,627	1,294,916

Effective 1, July 2011, the R&D tax incentive regime replaced the R&D tax concession. Under this regime, Connexion, having expected aggregated annual turnover of under $20 million, is entitled to a refundable R&D credit of approximately 43.5% on the eligible R&D expenditure incurred on eligible R&D activities.

Note 6. Expenses

	Consolidated 2017 $	Consolidated 2016 $
Loss before income tax includes the following specific expenses:		
Finance costs		
Interest and finance charges paid/payable	523,022	249,976
Rental expense relating to operating leases		
Minimum lease payments	87,450	152,659
Superannuation expense		
Defined contribution superannuation expense	231,596	184,940
Employee benefits expense excluding superannuation		
Employee benefits expense excluding superannuation	4,273,972	2,573,999

Note 7. Income tax expense

Tax losses have not been brought to account as utilisation of these losses is not probable. Income tax losses can only be recovered by the company deriving future assessable income, conditions for deductibility imposed by law being complied with and no charged in tax legislation adversely affecting the realisation of the benefit from the deductions. Therefore, carry forward losses may not be available to offset future assessable income.

As at 30 June 2017 the group had accumulated losses, as set out in the statement of financial position that may be applied in its calculation of carry-forward tax losses that may be potentially be offset against future assessable income. It is noted that not all amounts in accumulated losses would be included in carry-forward tax losses which may or may not be available to offset against assessable income which may arise in the future. However, this amount is not expected to be material.

Note 8. Current assets - Prepayments

	Consolidated 2017 $	Consolidated 2016 $
Prepaid interest - convertible notes	-	42,923
Other deposits	-	1,000
	-	43,923

Note 9. Current assets - Inventories

	Consolidated 2017 $	Consolidated 2016 $
Inventory held at lower of cost or net realisable value	84,772	-
	84,772	-

Note 10. Non-current assets - Plant and equipment

	Consolidated 2017 $	Consolidated 2016 $
Plant and equipment - at cost	7,192	9,191
Less: Accumulated depreciation	-	(1,379)
	7,192	7,812

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	**Office equipment $**
Balance at 1 July 2016	7,812
Additions	2,758
Disposals	(1,379)
Balance at 30 June 2017	9,191
Depreciation expense for the period	(1,999)
Balance at 30 June 2017	7,192

Note 11. Other non-current assets

	Consolidated 2017 $	Consolidated 2016 $
Other deposits	-	80,989
	-	80,989

The bank guarantee entered into in the prior year expired, and was refunded to the Company.

Note 12. Current liabilities - trade and other payables

	Consolidated 2017 $	Consolidated 2016 $
Trade payables	250,356	496,884
Other payables	520,699	517,403
	771,055	1,014,287

Refer to note 18 for further information on financial instruments.

Note 13. Current liabilities - employee benefits

	Consolidated 2017 $	Consolidated 2016 $
Annual leave	95,097	36,151
Long service leave	-	6,898
	95,097	43,049

Note 14. Convertible notes

	Consolidated 2017 $	Consolidated 2016 $
Convertible notes payable – Series 1	2,000,000	2,000,000

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 (“Series 1”). These notes have reached their maturity date. The Board is currently in advanced discussions with the Series 1 Note Holders and have provided details of these discussions in Note 2 to the financial report.

	Consolidated 2017 $	Consolidated 2016 $
Convertible notes payable – Series 2	3,380,782	270,325

In 22 June 2016, the Company announced a raising of $5 million through the issue of convertible notes to new and existing sophisticated and professional investors. The raising was not fully subscribed, and $3,449,000 before transaction costs was raised ("Series 2").

The key terms of the Series 2 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 (15 cents) or 80% of any future equity issue price (with 2 business days' notice) after 12 months from the issue date;
- Should >50% of notes convert within 12 months, a one-for-one 24 month A$0.20 (20 cents) 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 per annum until company displays 4 consecutive quarters of positive operating cash flows or NPAT of A$3m+
  - Financial year revenue for 2017 and 2018 to exceed A$10m
  - The Company has the option of redeeming early at any time at 10% premium (providing 60 days' notice) but not before 12 months from the issue date. This is inclusive of the premiums noted above.

The Board is currently in advanced discussions with the Series 2 Note Holders for either the conversion of the Convertible Notes as discussed in Note 2 to the financial report.

Note 15. Borrowings

	Consolidated 2017 $	Consolidated 2016 $
Line of credit	250,000	-
Secured loan	354,699	354,699
	604,699	354,699

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. The Facility incurs interest at 36% per annum, payable monthly in arrears, and the principal will be repaid upon receipt of the R&D Tax Rebate or 6 months, whichever occurs earlier.

Secured loan
On 21 January 2013 the legal parent entity, Connexion Media Limited, entered into a loan agreement with a third party investor. The loan's maturity date was extended to 28 January 2018. 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 16. Equity - issued capital

	Consolidated			
	2017 Number	**2016 Number**	**2017 $**	**2016 $**
Ordinary shares - fully paid	117,822,774	101,929,174	9,363,046	8,308,420
Share options	10,175,789	81,577,598	-	1,223,666
	127,998,563	183,506,772	9,363,046	9,532,086

A class shares do not have any voting rights.

Movements in ordinary share capital

Details	**Date**	**#**	**Issue price**	**$**
Balance	30 June 2015	84,619,770		5,196,817
Exercise of share options	9 December 2015	50,000	$0.215	10,750
Exercise of share options	18 December 2015	550,000	$0.215	118,250
Exercise of share options	29 December 2015	1,211,505	$0.215	260,474
Exercise of share options	31 December 2015	890,000	$0.215	191,350
Exercise of share options	11 January 2016	265,667	$0.215	57,118
Exercise of share options	14 January 2016	75,000	$0.215	16,125
Issue of shares	3 March 2016	4,999,999	$0.180	900,000
Issue of shares	3 May 2016	9,267,233	$0.180	1,668,102
Costs of issuing equity		-	-	(110,566)
Balance	30 June 2016	101,929,174		8,308,420
Issue of shares	19 August 2016	2,000,000	$0.110	220,000
Issue of shares	9 February 2017	3,711	$0.200	742
Issue of shares	3 April 2017	13,888,889	$0.070	1,000,000
Issue of shares	28 April 2017	1,000	$0.070	72
Costs of issuing equity				(166,188)
Balance	30 June 2017	117,822,774		9,363,046

Note 16. Equity - issued capital (continued)

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital. On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Movements in options

Details	Date	#	Issue price	$
Balance	30 June 2015	84,619,770		1,269,298
Exercise of options	09 December 2015	(50,000)	$0.200	(750)
Exercise of options	18 December 2015	(550,000)	$0.200	(8,250)
Exercise of options	29 December 2015	(1,211,505)	$0.200	(18,172)
Exercise of options	31 December 2015	(890,000)	$0.200	(13,350)
Exercise of options	11 January 2016	(265,667)	$0.200	(3,985)
Exercise of options	14 January 2016	(75,000)	$0.200	(1,125)
Balance	30 June 2016	81,577,598		1,223,666
Issue of share options	6 July 2016	3,042,172	$0.000	-
Issue of share options	6 July 2016	7,133,617	$0.000	-
Exercise of options	9 February 2017	(3,711)	$0.200	(742)
Expiration of share options	3 March 2017	(81,573,887)	$0.200	(1,222,924)
Balance	30 June 2017	10,175,789		-

Share options
On 2 February 2015, the consolidated entity announced a pro rata non-renounceable offer of 2 New Options for every 3 Shares held by eligible shareholders registered at the record date under the offer with an issue price of $0.015 (1.5 cents) per option with each New Option exercisable at $0.20 (20 cents) per option on or before 28 February 2017. The offer was fully underwritten by PAC Partners Pty Ltd and raised a total of $821,198 with 54,746,513 listed options being issued.

On 12 May 2015, the consolidated entity announced the listed issue of up to 29,873,257 New Options at an issue price of $0.015 (1.5 cents) per option, exercisable at $0.20 (20 cents) per option on or before 28 February 2017. Under the offer if a New Option is exercised on or before 1 January 2016, the holder is entitled to receive a 'Piggy Back Option', exercisable at $0.25 on or before 1 January 2018. The Offer was not underwritten and only made to persons nominated by the Company at a price offered at an arms-length basis. On 20 May 2015 the consolidated entity issued the 29,873,257 New Options raising a total of $448,099 before costs.

81,573,887 options expired on 28 February 2017. The value of these expired options was reversed back into accumulated losses. There remaining 3,711 options were exercised on 9 February 2017, and issued as share capital on that date. Option holders do not participate in dividends or the proceeds on the winding up of the company.

On 6 July 2016, 3,042,172 unlisted options were issued with an exercise price of $0.25 expiring 1 January 2018, as well as an additional 7,133,617 unlisted options issued with an exercise price of $0.25 expiring on the second anniversary of their issue date. The options have been included in the above table as they were issued as free-attaching options to other equity instruments.

Capital risk management
The Company's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

Note 16. Equity - issued capital (continued)

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company would look to raise capital where an opportunity to invest in a business or company was seen as value adding relative to the Company's share price at the time of the investment. The Company is actively pursuing additional investments in the short term that require capital to be raised as it continues to integrate and grow its existing businesses in order to maximise shareholder return.

Note 17. Equity - dividends

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

Note 18. Financial instruments

Financial risk management objectives
The consolidated entity's activities expose it to two financial risks: market risk (interest rate risk) and liquidity risk. The consolidated entity's overall risk management program focuses on the management of these risks through cashflow forecasting capital management.

Risk management is carried out by management and the Board of Directors ('the Board') informally on a frequent periodic basis. The process include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits.

Market risk

Interest rate risk
The consolidated entity's main interest rate risk arises from short-term borrowings. Borrowings issued at fixed rates expose the consolidated entity to fair value interest rate risk. Current borrowings are all short-term, limiting fair value interest rate risk. Borrowings currently held are at a fixed interest rate, and no interest rate risk applies.

Liquidity risk
Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Note 18. Financial instruments (continued)

Remaining contractual maturities
The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2017	Weighted average interest rate %	Between 0 – 6 months $	Between 6 – 12 months $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives							
Non-interest bearing							
Trade payables	-	771,055	-	-	-	-	771,055
Other loans	15.00%	354,699	-	-	-	-	354,699
Borrowings	36.00%	250,000	-	-	-	-	250,000
Convertible notes payable	9.95%	2,000,000	-	3,380,782	-	-	5,380,782
Total non-derivatives		3,375,754	-	3,380,782	-	-	6,756,536

Consolidated - 2016	Weighted average interest rate %	Between 0 – 6 months $	Between 6 – 12 months $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives							
Non-interest bearing							
Trade payables	-	1,014,287	-	-	-	-	1,014,287
Other loans	15.00%	354,699	-	-	-	-	354,699
Convertible notes payable	9.95%	-	-	2,000,000	270,325	-	2,270,325
Total non-derivatives		1,368,986	-	2,000,000	270,325	-	3,639,311

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 19. Key management personnel disclosures

Directors
The following persons were directors of Connexion Media Limited during the financial year:

Mark Caruso (Non-Executive Director)	(appointed 3 April 2017)
David Connolly (Executive Director)	(appointed 22 November 2016)
Robert Downey (Non-Executive Director)	(appointed 26 June 2017)
George Parthimos (Managing Director)	(resigned 25 June 2017)
John Conomos (Chairman and Non-executive Director)	(resigned 30 March 2017)
John Dimitropoulos (Non-executive Director)	(resigned 30 March 2017
Eric Jiang (Executive Director)	(resigned 5 May 2017)

Note 19. Key management personnel disclosures (continued)

Compensation
The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated 2017 $	Consolidated 2016 $
Short-term employee benefits	634,759	662,836
Post-employment benefits	50,734	64,351
	685,493	727,187

Note 20. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by William Buck, the auditor of the company:

	Consolidated 2017 $	Consolidated 2016 $
Audit services - William Buck		
Audit or review of the financial statements	46,000	27,300
Other services - William Buck		
Due diligence assurance services	-	-
	46,000	27,300

Note 21. Related party transactions

Parent entity
Connexion Media Limited is the parent entity.

Key management personnel
Disclosures relating to key management personnel are set out in note 19 and the remuneration report included in the directors' report.

Transactions with related parties
Legal consultation fees with Dominion Legal, totalling $17,712, were entered into during the year. Robert Downey is a partner in Dominion Legal. There were no other transactions with related parties.

Receivable from and payable to related parties
The group has a trade payable balance of $3,280 due to Dominion Legal as at year end. There were no other trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to/from related parties at the current and previous reporting date

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 22. Interest in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest 2017 %	Ownership interest 2016 %
Connexion Media Inc.	United States of America	100.00	100.00
Flexvs Pty Ltd	Australia	100.00	100.00
miRoamer Pty Ltd	Australia	100.00	100.00

Note 23. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent 2017 $	Parent 2016 $
Loss after income tax	(2,348,104)	(6,860,709)
Total comprehensive income	(2,348,104)	(6,860,709)

Statement of financial position

	Parent 2017 $	Parent 2016 $
Total current assets	387,119	165,834
Total assets	394,311	254,635
Total current liabilities	2,956,665	3,412,035
Total liabilities	6,339,180	3,682,360
Equity		
Issued capital	9,363,046	9,532,086
Accumulated losses	(15,307,915)	(12,959,811)
Total deficiency	(5,944,869)	(3,427,725)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2017 and 30 June 2016.

Transactions between parent and its subsidiaries
The parent company performs research and development services on behalf of its subsidiary, Connexion Media Inc. The respective revenue and expenses are determined at an arms-length basis, and are charged by intercompany loan. All intercompany transactions are eliminated upon consolidation. Research and development services of approximately $182,500 were charged for the year ending 30 June 2017 (2016: Nil). These were settled in cash before the end of the year.

Note 23. Parent entity information (continued)

Contingent liabilities
In relation to the Convertible Notes issued during the first half of the 2017 financial year, on maturity date, being two years from the issue date, one free attaching option will be issued for each share issued as part of the conversion of the Convertible Notes. If the Convertible Notes are not converted into shares each note holder will receive one free option for each share that would have been issued. In order for these options to be issued there is a requirement that the Convertible Notes with an aggregate face value of $3,500,000 are converted into Shares prior to maturity date.

As at the date of this report a value in respect of these options cannot be reliability measured due to a number of inputs in the valuation not being available until the maturity date. However, it is likely a share based payment expense will be recognised at maturity date in respect of the value of the options issued, thus the Company has elected to disclose this matter as a contingent liability.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2017 and 30 June 2016.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 24. Events after the reporting period

The Board is currently in advanced discussions with both the Series 1 and Series 2 Convertible Note Holders for either the conversion of the Convertible Notes into fully paid ordinary shares, or through the issue of other forms of equity instruments, which will require prior shareholder approval. The Board expects any such approvals to be obtained at its Annual General Meeting to be held in November 2017.

Other than disclosed elsewhere in this report, no other matter or circumstance has arisen since 30 June 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 25. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2017	**2016**
	$	**$**
Loss after income tax expense for the year	(3,971,672)	(6,860,709)
Adjustments for:		
Share based payments	220,000	-
Depreciation and amortisation	1,999	1,379
Finance charges included in loan payments	118,218	249,976
Change in operating assets and liabilities:		
Decrease / Increase in other assets	43,923	(43,923)
(Increase) / Decrease in GST credits receivable	(3,915)	59,071
Increase in inventory	(84,772)	-
(Increase) / decrease in other operating assets	-	(80,989)
Increase / (Decrease) in trade and other payables	(243,232)	534,132
Increase in employee benefits	53,781	18,080
Net cash used in operating activities	(3,865,670)	(6,122,983)

Note 26. Loss per share

	Consolidated	
	2017	2016
	$	$
Loss after income tax attributable to the owners of Connexion Media Limited	3,917,672	6,860,709
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	105,390,712	89,245,113
Weighted average number of ordinary shares used in calculating diluted earnings per share	105,390,712	89,245,113
	Cents	Cents
Basic earnings per share	(3.77)	(7.69)
Diluted earnings per share	(3.77)	(7.69)

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.

Note 27. Corporate Governance Statement

The Company’s 2017 Corporate Governance Statement is available on the Company’s website at https://connexionltd.com/investors/corporate-info/

Note 28. Commitments

	Consolidated	
	2017	2016
	$	$
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	79,750	196,336

Note 29. Contingent liabilities

In relation to the Convertible Notes issued during the first half of FY17, on maturity date, being two years from the issue date, one free attaching option will be issued for each share issued as part of the conversion of the Convertible Notes. If the Convertible Notes are not converted into shares each note holder will receive one free option for each share that would have been issued. In order for these options to be issued there is a requirement that the Convertible Notes with an aggregate face value of $3,500,000 are converted into ordinary shares prior to maturity date.

As at the date of this report, a value in respect of these options cannot be reliability measured due to a number of inputs in the valuation not being available until the maturity date. However, it is likely a share based payment expense will be recognised at maturity date in respect of the value of the options issued, thus the Company has elected to disclose this matter as a contingent liability.

Connexion Media Limited
Directors' declaration
30 June 2017

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the financial 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.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

David Connolly
Director

28 September 2017

William Buck

Connexion Media Limited
Independent auditor's report to members

For personal use only

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Connexion Media Limited (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as a 30 June 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:
(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial report, which indicates that the Group incurred a net loss of $3,971,672 during the year ended 30 June 2017 and, as of that date, the Group's current liabilities exceeded its current assets by $2,969,448. 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 opinion is not modified in respect of this matter.

CHARTERED ACCOUNTANTS & ADVISORS
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Melbourne VIC 3000
Telephone: +61 3 9824 8555
williambuck.com

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the material uncertainty related to going concern section we have determined the matters described below to be key audit matters to be communicated in our report.

CONVERTIBLE NOTES	
Area of focus **Refer also to notes 2 and 14**	**How our audit addressed it**
The Group issued convertible notes during the current financial year for $3,380,782 which are repayable or convertible at a period of greater than 12 months from balance date. The Group also has convertible notes of $2,000,000 that were repayable or convertible on 4 August 2017. (This aspect is addressed in the material uncertainty related to going concern section above) Accounting for these transactions is complex, as the Group's accounting policy requires the assessment at initial recognition as to whether the convertible note should be classified as a financial liability or equity. In addition an assessment is required to be performed as to whether an embedded derivative can be reliably measured.	Our audit procedures included: — Understanding the terms of the convertible note agreements, including: — an assessment of classification between financial liability and equity — confirming that the Groups assessment to classify to the convertible notes as a financial liability was appropriate; and — an assessment of the value of the convertible notes; and — Assessing the classification of the note between current and non-current. We also assessed the adequacy of the Group's disclosures in respect of the convertible notes.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

— Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Connexion Media Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

William Buck

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

N. S. Benbow
Melbourne, 28 September 2017

Connexion Media Limited
Shareholder information
30 June 2017

The shareholder information set out below was applicable as at 20 September 2017.

Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest security holders of quoted equity securities are listed below:

	20 September 2017	**%IC**
1. PERPETUAL CONSULTING GROUP PTY LTD	7,500,000	6.37%
2. GAASP HOLDINGS PTY LTD <G & A PARTHIMOS FAMILY A/C>	6,132,373	5.20%
3. REGIONAL MANAGEMENT PTY LTD <MVC A/C>	3,472,222	2.95%
4. VBASS PTY LTD <AUSINVEST SUPER FUND A/C>	3,155,697	2.68%
5. MI MEDIA HOLDINGS LTD	3,016,804	2.56%
6. AU MINING LIMITED	2,777,778	2.36%
7. TORIAN DEVELOPMENTS PTY LIMITED	2,599,102	2.21%
8. PIER ONE PROPERTY HOLDINGS PTY LTD <SINGH INVESTMENT NO 1 A/C>	2,391,829	2.03%
9. MR JOHN COLIN LOOSEMORE & MRS SUSAN MARJORY LOOSEMORE <LOOSEMORE SUPER FUND A/C>	2,333,334	1.98%
10. GJB QLD PTY LTD	2,222,222	1.89%
11. LUCERNE AUSTRALIA PTY LTD	2,000,000	1.70%
12. MR JOHN COLIN LOOSEMORE & MRS SUSAN MARJORY LOOSEMORE <LOOSEMORE SUPER FUND A/C>	1,703,726	1.45%
13. MEGATOP NOMINEES PTY LTD <MORRIS SUPER FUND A/C>	1,650,000	1.40%
14. HELLENIC ANACONDA PTY LTD <NEW DIKEOS OCEANIA A/C>	1,338,734	1.14%
15. PIER ONE PROPERTY HOLDING PTY LTD <SINGH INVESTMENT NO 1 A/C>	1,261,187	1.07%
16. G & M MIRABELLA INVESTMENTS PTY LTD <GV & M MIRABELLA S/FUND A/C>	1,255,788	1.07%
17. COMSEC NOMINEES PTY LIMITED	1,244,195	1.06%
18. MR ROBERT CAMERON GALBRAITH	1,111,111	0.94%
19. MR JOHANNUS THEODORUS GERRITZEN & MRS ELIZABETH ANNE GERRITZEN <GERRITZEN FAMILY A/C>	1,000,000	0.85%
20. MR JOSEPH REMIGIO ZITO <JOSEPH ZITO SUPER FUND A/C>	1,000,000	0.85%
Total Securities of Top 20 Holdings	49,166,102	41.48%
Total of Securities	**117,822,774**	

Distribution of equity securities
Analysis of number of equity security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	822
1,001 to 5,000	252
5,001 to 10,000	169
10,001 to 100,000	423
100,001 and over	204
	1,870
Holding less than a marketable parcel	661

Unquoted equity securities

The following unquoted equity securities are on issue:

3. 3,042,172 Unlisted options exercisable at $0.25 expiring 1 January 2018

Analysis of number of equity security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	-
1,001 to 5,000	-
5,001 to 10,000	1
10,001 to 100,000	7
100,001 and over	8
	16

4. 7,133,617 Unlisted Options exercisable at $0.25 expiring on 7 July 2018

Analysis of number of holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	-
1,001 to 5,000	-
5,001 to 10,000	-
10,001 to 100,000	35
100,001 and over	12
	47

5. 20,000 Series 1 Convertible Notes held by 50 Holders. 30.2% held by Regional Management Pty Ltd

6. 34,499 Series 2 Convertible Notes held by 27 Holders. 28.99% held by Principis Master Fund SPC – Lucerne Composite Master Fund SP

Substantial holders

There following two shareholders are considered substantial holders in the company.

	20 September 2017	%IC
1. PERPETUAL CONSULTING GROUP PTY LTD	7,500,000	6.37%
2. GAASP HOLDINGS PTY LTD <G & A PARTHIMOS FAMILY A/C>	6,132,373	5.20%

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Restricted securities

Class	Expiry date	Number of shares
Fully Paid ordinary shares	15 months from 24 August 2016	2,000,000