

1. Company details

| | |
|-------------------|---------------------------------|
| Name of entity: | Crowd Media Holdings Limited |
| ABN: | 13 083 160 909 |
| Reporting period: | For the year ended 30 June 2019 |
| Previous period: | For the year ended 30 June 2018 |

2. Results for announcement to the market

| | | | | \$ |
|--|------|----------|--|-------------|
| Revenues from ordinary activities | down | 38.0% to | | 23,918,776 |
| Loss from ordinary activities after tax attributable to the owners of Crowd Media Holdings Limited | down | 81.6% to | | (4,795,984) |
| Loss for the year attributable to the owners of Crowd Media Holdings Limited | down | 81.6% to | | (4,795,984) |

Dividends

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

Comments

The loss for the Group after providing for income tax amounted to \$4,795,984 (30 June 2018: \$26,041,272).

3. Net tangible assets

| | Reporting period Cents | Previous period Cents |
|---|---------------------------|--------------------------|
| Net tangible assets per ordinary security | <u>0.14</u> | <u>1.77</u> |

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

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

Not applicable.

10. Audit qualification or review

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

The financial statements are in the process of being audited and an unqualified opinion is expected to be issued.

11. Attachments

Details of attachments (if any):

The Preliminary Financial Report of Crowd Media Holdings Limited for the year ended 30 June 2019 is attached.

12. Signed



Signed _____

Theo Hnarakis
Chairman
Melbourne

Date: 30 August 2019

For persons

Crowd Media Holdings Limited

(Formerly known as Crowd Mobile Limited)

ABN 13 083 160 909

Preliminary Financial Report - 30 June 2019

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Crowd Media Holdings Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2019



| | Note | Consolidated 2019 \$ | 2018 \$ |
|--|------|----------------------------|----------------------------|
| Revenue | | | |
| Revenue from continuing operations | 3 | 23,918,776 | 38,552,347 |
| Other income | | - | 5,262 |
| | | <u>23,918,776</u> | <u>38,557,609</u> |
| Cost of sales | | <u>(7,167,258)</u> | <u>(9,219,751)</u> |
| Gross profit | | <u>16,751,518</u> | <u>29,337,858</u> |
| Net fair value gain on financial assets | | 106,902 | - |
| Interest revenue calculated using the effective interest method | | 1,991 | 2,655 |
| Expenses | | | |
| Marketing | | (6,993,715) | (11,261,186) |
| Administration and other expenses | | (2,774,060) | (2,538,566) |
| Consultants | | (2,280,087) | (1,462,798) |
| Depreciation and amortisation expense | 4 | (209,128) | (3,648,101) |
| Employee benefits expense | | (8,663,575) | (9,239,409) |
| Travel and accommodation | | (407,662) | (883,554) |
| Product development | | (143,465) | (831,494) |
| Share-based payment | 4 | (24,750) | (382,380) |
| Allowance for expected credit losses | | (1,158,485) | (533,673) |
| Impairment of intangibles | 10 | - | (25,380,044) |
| Finance costs | 4 | <u>(582,894)</u> | <u>(1,528,206)</u> |
| Loss before income tax benefit | | (6,377,410) | (28,348,898) |
| Income tax benefit | | <u>1,581,426</u> | <u>2,307,626</u> |
| Loss after income tax benefit for the year attributable to the owners of Crowd Media Holdings Limited | 19 | (4,795,984) | (26,041,272) |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Foreign currency translation | | <u>511,227</u> | <u>401,221</u> |
| Other comprehensive income for the year, net of tax | | <u>511,227</u> | <u>401,221</u> |
| Total comprehensive income for the year attributable to the owners of Crowd Media Holdings Limited | | <u>(4,284,757)</u> | <u>(25,640,051)</u> |
| | | Cents | Cents |
| Basic earnings per share | 29 | (2.10) | (11.71) |
| Diluted earnings per share | 29 | (2.10) | (11.71) |

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

Crowd Media Holdings Limited
Statement of financial position
As at 30 June 2019



| | Note | Consolidated 2019 \$ | 2018 \$ |
|--------------------------------------|------|----------------------------|---------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 5 | 839,462 | 2,559,776 |
| Trade and other receivables | 6 | 2,170,127 | 2,392,305 |
| Accrued income | 7 | 2,752,300 | 5,427,467 |
| Income tax receivable | | 334,075 | 343,949 |
| Other | 8 | 316,424 | 495,149 |
| Total current assets | | <u>6,412,388</u> | <u>11,218,646</u> |
| Non-current assets | | | |
| Property, plant and equipment | 9 | 352,892 | 498,368 |
| Intangibles | 10 | 613,994 | 713,888 |
| Deferred tax | | 1,579,919 | 479,968 |
| Total non-current assets | | <u>2,546,805</u> | <u>1,692,224</u> |
| Total assets | | <u>8,959,193</u> | <u>12,910,870</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 11 | 4,093,412 | 4,780,392 |
| Deferred revenue | 12 | 176,345 | 105,101 |
| Borrowings | 13 | - | 3,287,542 |
| Employee benefits | 14 | 46,098 | 82,404 |
| Provisions | | 550,909 | - |
| Total current liabilities | | <u>4,866,764</u> | <u>8,255,439</u> |
| Non-current liabilities | | | |
| Borrowings | 15 | 2,991,849 | - |
| Derivative financial instruments | 16 | 152,467 | - |
| Total non-current liabilities | | <u>3,144,316</u> | <u>-</u> |
| Total liabilities | | <u>8,011,080</u> | <u>8,255,439</u> |
| Net assets | | <u>948,113</u> | <u>4,655,431</u> |
| Equity | | | |
| Issued capital | 17 | 28,720,072 | 28,167,383 |
| Reserves | 18 | 5,062,673 | 4,739,547 |
| Accumulated losses | 19 | <u>(32,834,632)</u> | <u>(28,251,499)</u> |
| Total equity | | <u>948,113</u> | <u>4,655,431</u> |

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

Crowd Media Holdings Limited
Statement of changes in equity
For the year ended 30 June 2019



| Consolidated | Issued capital \$ | Foreign currency reserve \$ | Share-based payments reserve \$ | Convertible note optionality reserve \$ | Accumulated losses \$ | Total equity \$ |
|--|-----------------------------|---------------------------------------|---|---|---------------------------------|---------------------------|
| Balance at 1 July 2017 | 28,165,539 | (663,174) | 4,406,269 | 212,851 | (2,210,227) | 29,911,258 |
| Loss after income tax benefit for the year | - | - | - | - | (26,041,272) | (26,041,272) |
| Other comprehensive income for the year, net of tax | - | 401,221 | - | - | - | 401,221 |
| Total comprehensive income for the year | - | 401,221 | - | - | (26,041,272) | (25,640,051) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | | |
| Contributions of equity, net of transaction costs (note 17) | 100,000 | - | - | - | - | 100,000 |
| Share-based payments (note 30) | - | - | 382,380 | - | - | 382,380 |
| Share buy-back (note 17) | (98,156) | - | - | - | - | (98,156) |
| Balance at 30 June 2018 | <u>28,167,383</u> | <u>(261,953)</u> | <u>4,788,649</u> | <u>212,851</u> | <u>(28,251,499)</u> | <u>4,655,431</u> |

| Consolidated | Issued capital \$ | Foreign currency reserve \$ | Share-based payments reserve \$ | Convertible note optionality reserve \$ | Accumulated losses \$ | Total equity \$ |
|--|-----------------------------|---------------------------------------|---|---|---------------------------------|---------------------------|
| Balance at 1 July 2018 | 28,167,383 | (261,953) | 4,788,649 | 212,851 | (28,251,499) | 4,655,431 |
| Loss after income tax benefit for the year | - | - | - | - | (4,795,984) | (4,795,984) |
| Other comprehensive income for the year, net of tax | - | 511,227 | - | - | - | 511,227 |
| Total comprehensive income for the year | - | 511,227 | - | - | (4,795,984) | (4,284,757) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | | |
| Contributions of equity, net of transaction costs (note 17) | 552,689 | - | - | - | - | 552,689 |
| Share-based payments (note 30) | - | - | 24,750 | - | - | 24,750 |
| Transfers | - | - | - | (212,851) | 212,851 | - |
| Balance at 30 June 2019 | <u>28,720,072</u> | <u>249,274</u> | <u>4,813,399</u> | <u>-</u> | <u>(32,834,632)</u> | <u>948,113</u> |

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

Crowd Media Holdings Limited
Statement of cash flows
For the year ended 30 June 2019



| | Note | Consolidated 2019 \$ | 2018 \$ |
|--|------|----------------------------|-------------------------|
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of GST) | | 26,868,408 | 41,422,590 |
| Payments to suppliers and employees (inclusive of GST) | | (29,500,532) | (36,165,893) |
| Interest received | | 20,948 | 2,655 |
| Other revenue | | 106,902 | - |
| Interest and other finance costs paid | | (430,427) | (1,528,206) |
| Income taxes refunded | | 491,349 | - |
| Income taxes paid | | - | (1,091,931) |
| Net cash from/(used in) operating activities | 28 | <u>(2,443,352)</u> | <u>2,639,215</u> |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | 9 | (14,352) | (342,163) |
| Payments for intangibles | 10 | (51,826) | (175,823) |
| Proceeds from disposal of property, plant and equipment | | 6,505 | - |
| Proceeds from disposal of intangibles | | 137,904 | - |
| Proceeds from release of security deposits | | 42,305 | 1,231 |
| Net cash from/(used in) investing activities | | <u>120,536</u> | <u>(516,755)</u> |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | 17 | 428,957 | 100,000 |
| Payments for share buy-backs | 17 | - | (98,156) |
| Proceeds from borrowings - Obsidian | | 404,420 | - |
| Proceeds from borrowings - NTH Mobile Limited | | 418,397 | - |
| Proceeds from borrowings - BillFront | | 2,169,032 | - |
| Repayment of borrowings - JGB | | (3,287,542) | (4,636,305) |
| Repayment of borrowings - other | | - | (27,696) |
| Net cash from/(used in) financing activities | | <u>133,264</u> | <u>(4,662,157)</u> |
| Net decrease in cash and cash equivalents | | (2,189,552) | (2,539,697) |
| Cash and cash equivalents at the beginning of the financial year | | 2,559,776 | 5,200,089 |
| Effects of exchange rate changes on cash and cash equivalents | | 469,238 | (100,616) |
| Cash and cash equivalents at the end of the financial year | 5 | <u><u>839,462</u></u> | <u><u>2,559,776</u></u> |

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

Note 1. General information

The financial statements cover Crowd Media Holdings Limited as a consolidated entity consisting of Crowd Media Holdings Limited (referred to as 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year (referred to as the 'Group'). The financial statements are presented in Australian dollars, which is Crowd Media Holdings Limited's functional and presentation currency.

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3 and the disclosure requirements of ASX Appendix 4E. This preliminary final report does not include all of the notes included within the annual financial report.

Note 2. Operating segments

Identification of reportable operating segments

The Group is organised into three operating segments: Mobile Content - Q & A ('Q&A'), Mobile Content - Subscription ('Subscription') and Crowd Media ('Crowd Media'). The Company operates mobile content businesses globally but predominantly in Europe and Australasia. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The Q&A operating segment recognises all corporate costs including public company costs, acquisition costs, share based payments expense and restructure costs.

For operating segment performance, the CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on at least a monthly basis.

Types of products and services

The principal products and services of each of these operating segments are as follows:

| | |
|-------------------------------|---|
| Mobile Content - Q & A | Crowd Mobile proprietary Q&A micro job platform technology that facilitates Q&A entertainment products via various Direct Carrier Billing, SMS and App product offerings. |
| Mobile Content - Subscription | Crowd Mobile subscription based, broad content offering of products such as mobile security, games and video portals via an m-payments network. |
| Crowd Media | Crowd Media works with brands and digital influencers to provide social media marketing, digital influencer advertising and commerce platform and 3rd party affiliate revenues. |

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Note 2. Operating segments (continued)

Operating segment information

| Consolidated - 2019 | <i>Q&A*</i> \$ | <i>Subscription</i> \$ | <i>Crowd Media</i> \$ | <i>Total</i> \$ |
|---------------------------------------|-----------------------|---------------------------|--------------------------|--------------------|
| Revenue | | | | |
| Sales to external customers | 15,923,286 | 6,361,291 | 1,634,199 | 23,918,776 |
| Interest income | 1,991 | - | - | 1,991 |
| Total revenue | <u>15,925,277</u> | <u>6,361,291</u> | <u>1,634,199</u> | <u>23,920,767</u> |
| EBITDA | (3,299,165) | 427,500 | (1,664,132) | (4,535,797) |
| Depreciation and amortisation | (71,176) | (129,612) | (8,340) | (209,128) |
| Allowance for expected credit losses | (978,258) | (147,338) | (32,889) | (1,158,485) |
| Interest income | 1,991 | - | - | 1,991 |
| Finance costs | 1,799,374 | (2,376,698) | (5,570) | (582,894) |
| Other non-cash expenses | 106,903 | - | - | 106,903 |
| Loss before income tax benefit | <u>(2,440,331)</u> | <u>(2,226,148)</u> | <u>(1,710,931)</u> | <u>(6,377,410)</u> |
| Income tax benefit | | | | 1,581,426 |
| Loss after income tax benefit | | | | <u>(4,795,984)</u> |
| Assets | | | | |
| Segment assets | 5,320,341 | 3,385,513 | 253,339 | 8,959,193 |
| Total assets | | | | <u>8,959,193</u> |
| Liabilities | | | | |
| Segment liabilities | 5,605,533 | 1,994,227 | 411,320 | 8,011,080 |
| Total liabilities | | | | <u>8,011,080</u> |

* Q&A segment includes Group Corporate costs.

| Consolidated - 2018 | <i>Q&A*</i> \$ | <i>Subscription</i> \$ | <i>Crowd Media</i> \$ | <i>Total</i> \$ |
|--|-----------------------|---------------------------|--------------------------|---------------------|
| Revenue | | | | |
| Sales to external customers | 24,736,054 | 13,323,863 | 492,430 | 38,552,347 |
| Other revenue | 5,262 | - | - | 5,262 |
| Interest income | 2,655 | - | - | 2,655 |
| Total revenue | <u>24,743,971</u> | <u>13,323,863</u> | <u>492,430</u> | <u>38,560,264</u> |
| EBITDA | 2,661,138 | 3,021,051 | (2,558,683) | 3,123,506 |
| Depreciation and amortisation | (125,663) | (3,522,438) | - | (3,648,101) |
| Impairment of assets | - | (25,913,717) | - | (25,913,717) |
| Finance costs | (1,528,206) | - | - | (1,528,206) |
| Other non-cash expenses | (382,380) | - | - | (382,380) |
| Profit/(loss) before income tax benefit | <u>624,889</u> | <u>(26,415,104)</u> | <u>(2,558,683)</u> | <u>(28,348,898)</u> |
| Income tax benefit | | | | 2,307,626 |
| Loss after income tax benefit | | | | <u>(26,041,272)</u> |
| Assets | | | | |
| Segment assets | 6,902,832 | 6,008,038 | - | 12,910,870 |
| Total assets | | | | <u>12,910,870</u> |
| Liabilities | | | | |
| Segment liabilities | (9,070,676) | 17,326,115 | - | 8,255,439 |
| Total liabilities | | | | <u>8,255,439</u> |

* Q&A segment includes Group Corporate costs.

Note 2. Operating segments (continued)

Geographical information

| | Revenue | | Geographical non-current assets | |
|---------------|-------------------|-------------------|---------------------------------|------------------|
| | 2019 | 2018 | 2019 | 2018 |
| | \$ | \$ | \$ | \$ |
| Australasia | 776,353 | 4,574,281 | 597,714 | 681,007 |
| Europe | 20,692,287 | 31,458,934 | 369,173 | 531,250 |
| Latin America | 1,773,305 | 1,936,733 | - | - |
| Other | 676,831 | 582,399 | - | - |
| | <u>23,918,776</u> | <u>38,552,347</u> | <u>966,887</u> | <u>1,212,257</u> |

The geographical non-current assets above are exclusive of, where applicable, financial instruments, deferred tax assets, post-employment benefits assets and rights under insurance contracts.

Note 3. Revenue

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

| | Q&A | Subscription | Crowd Media | Total |
|--------------------------------------|-------------------|------------------|------------------|-------------------|
| | \$ | \$ | \$ | \$ |
| Consolidated - 2019 | | | | |
| <i>Major product lines</i> | | | | |
| Information | 15,923,286 | - | - | 15,923,286 |
| Entertainment and content | - | 6,361,291 | - | 6,361,291 |
| Marketing agency | - | - | 1,634,199 | 1,634,199 |
| | <u>15,923,286</u> | <u>6,361,291</u> | <u>1,634,199</u> | <u>23,918,776</u> |
| <i>Geographical regions</i> | | | | |
| Australasia | 534,639 | 241,714 | - | 776,353 |
| Europe | 14,131,857 | 5,372,447 | 1,187,983 | 20,692,287 |
| Latin America | 1,251,064 | 522,241 | - | 1,773,305 |
| Other | 5,726 | 224,889 | 446,216 | 676,831 |
| | <u>15,923,286</u> | <u>6,361,291</u> | <u>1,634,199</u> | <u>23,918,776</u> |
| <i>Timing of revenue recognition</i> | | | | |
| Goods transferred at a point in time | 15,923,286 | 6,361,291 | - | 22,284,577 |
| Services transferred over time | - | - | 1,634,199 | 1,634,199 |
| | <u>15,923,286</u> | <u>6,361,291</u> | <u>1,634,199</u> | <u>23,918,776</u> |

Disaggregation of revenue disclosure are required by AASB 15. As AASB 15 was adopted using the modified retrospective approach, comparatives have not been provided.

Note 4. Expenses

| | Consolidated | |
|--|---------------------|-------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Loss before income tax includes the following specific expenses: | | |
| <i>Depreciation</i> | | |
| Property, plant and equipment (note 9) | 192,988 | 219,474 |
| <i>Amortisation</i> | | |
| Intangibles (note 10) | 16,140 | 3,428,627 |
| Total depreciation and amortisation | 209,128 | 3,648,101 |
| <i>Impairment</i> | | |
| Impairment of intangibles (note 10) | - | 25,380,044 |
| Allowance for expected credit losses | 1,158,485 | 533,673 |
| Total impairment | 1,158,485 | 25,913,717 |
| <i>Finance costs</i> | | |
| Interest and finance charges paid | 582,894 | 1,528,206 |
| <i>Rental expense relating to operating leases</i> | | |
| Minimum lease payments | 407,815 | 492,642 |
| <i>Superannuation expense</i> | | |
| Defined contribution superannuation expense | 62,263 | 110,957 |
| <i>Share-based payments expense</i> | | |
| Share-based payments expense | 24,750 | 382,380 |

Note 5. Current assets - cash and cash equivalents

| | Consolidated | |
|--------------|---------------------|-------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Cash at bank | 839,462 | 2,559,776 |

Note 6. Current assets - trade and other receivables

| | Consolidated | |
|--|---------------------|-------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Trade receivables | 3,903,833 | 2,947,400 |
| Less: Allowance for expected credit losses (2018: Provision for impairment of receivables) | (1,792,223) | (633,742) |
| | 2,111,610 | 2,313,658 |
| Other receivables | 811 | 1,984 |
| Interest receivable | 57,706 | 76,663 |
| | 2,170,127 | 2,392,305 |

Note 6. Current assets - trade and other receivables (continued)

Allowance for expected credit losses

The Group has recognised a loss of \$1,158,485 in profit or loss in respect of the expected credit losses for the year ended 30 June 2019.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

| Consolidated - 2019 | Expected credit loss rate 2019 % | Carrying amount 2019 \$ | Allowance for expected credit losses 2019 \$ |
|----------------------------|---|--|---|
| Not overdue | 5% | 1,606,562 | 75,578 |
| 0 to 3 months overdue | 13% | 565,988 | 73,578 |
| 3 to 6 months overdue | 69% | 73,428 | 50,665 |
| 6 to 9 months overdue | 91% | 727,263 | 661,810 |
| Over 9 months overdue | 100% | 930,592 | 930,592 |
| | | <u>3,903,833</u> | <u>1,792,223</u> |

Past due but not impaired

The following table details the Group's trade and other receivables exposed to credit risk with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled, with the terms and conditions agreed between the Group and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group. The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

| Consolidated - 2018 | <i>Past due but not impaired</i> | | | | <i>Past due and impaired \$</i> | <i>Total \$</i> |
|----------------------------|--|--|--------------------------------------|--|---|---------------------|
| | <i>Within initial trade terms \$</i> | <i>< 30 days overdue \$</i> | <i>30-60 days overdue \$</i> | <i>> 60 days overdue \$</i> | | |
| Trade receivables | 1,597,948 | 293,686 | 114,371 | 307,653 | 633,742 | 2,947,400 |
| Accrued income | 5,427,467 | - | - | - | - | 5,427,467 |
| Other receivables | 1,984 | - | - | - | - | 1,984 |
| Interest receivable | 76,663 | - | - | - | - | 76,663 |
| | <u>7,104,062</u> | <u>293,686</u> | <u>114,371</u> | <u>307,653</u> | <u>633,742</u> | <u>8,453,514</u> |

Note 7. Current assets - accrued income

| | Consolidated 2019 \$ | 2018 \$ |
|----------------|-------------------------------------|--------------------|
| Accrued income | <u>2,752,300</u> | <u>5,427,467</u> |

AASB 15 uses the term 'contract assets' and 'contract liabilities'. To maintain consistency in presentation with prior periods, the Group has retained the use of 'accrued income' and 'deferred revenue', respectively.

Note 8. Current assets - other

| | Consolidated | |
|-------------------|---------------------|----------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Prepayments | 241,327 | 419,336 |
| Security deposits | 8,098 | 50,403 |
| Other deposits | 66,999 | 25,410 |
| | <u>316,424</u> | <u>495,149</u> |

Note 9. Non-current assets - property, plant and equipment

| | Consolidated | |
|--------------------------------|---------------------|----------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Plant and equipment - at cost | 983,954 | 1,408,846 |
| Less: Accumulated depreciation | (631,062) | (910,478) |
| | <u>352,892</u> | <u>498,368</u> |

Reconciliations

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

| Consolidated | <i>Plant and equipment</i> \$ |
|-------------------------|----------------------------------|
| Balance at 1 July 2017 | 400,397 |
| Additions | 342,163 |
| Exchange differences | (24,718) |
| Depreciation expense | <u>(219,474)</u> |
| Balance at 30 June 2018 | 498,368 |
| Additions | 14,352 |
| Disposals | (6,505) |
| Exchange differences | 39,665 |
| Depreciation expense | <u>(192,988)</u> |
| Balance at 30 June 2019 | <u>352,892</u> |

Note 10. Non-current assets - intangibles

| | Consolidated | |
|---|---------------------|--------------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Goodwill after impairment | 317,214 | 317,214 |
| Intellectual property - at cost | 2,714,980 | 2,714,828 |
| Less: Accumulated amortisation | <u>(2,616,054)</u> | <u>(2,614,786)</u> |
| | 98,926 | 100,042 |
| Distribution network - at cost | 13,600,006 | 13,206,293 |
| Less: Accumulated amortisation | (8,191,809) | (7,948,401) |
| Less: Impairment | <u>(5,408,197)</u> | <u>(5,251,603)</u> |
| | - | 6,289 |
| Software - at cost | 3,085,181 | 3,014,833 |
| Less: Accumulated amortisation | (969,293) | (955,515) |
| Less: Impairment | <u>(2,114,833)</u> | <u>(2,053,598)</u> |
| | 1,055 | 5,720 |
| Databases - at cost | 621,900 | 621,900 |
| Less: Accumulated amortisation | <u>(456,899)</u> | <u>(456,899)</u> |
| | 165,001 | 165,001 |
| Website and other intangibles - at cost | 36,892 | 120,864 |
| Less: Accumulated amortisation | <u>(5,094)</u> | <u>(1,242)</u> |
| | 31,798 | 119,622 |
| | <u>613,994</u> | <u>713,888</u> |

Reconciliations

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

| Consolidated | <i>Goodwill</i> | <i>Intellectual property</i> | <i>Distribution network</i> | <i>Software</i> | <i>Databases</i> | <i>Website and other intangibles</i> | <i>Total</i> |
|-------------------------|-----------------|------------------------------|-----------------------------|-----------------|------------------|--------------------------------------|--------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2017 | 17,538,217 | 46,759 | 8,405,717 | 1,958,467 | 190,304 | - | 28,139,464 |
| Additions | - | 55,380 | - | - | - | 120,864 | 176,244 |
| Disposals | - | - | - | (25,245) | - | - | (25,245) |
| Exchange differences | 853,840 | (2,097) | 259,452 | 120,901 | - | - | 1,232,096 |
| Impairment of assets | (18,074,843) | - | (5,251,603) | (2,053,598) | - | - | (25,380,044) |
| Amortisation expense | - | - | <u>(3,407,277)</u> | 5,195 | <u>(25,303)</u> | <u>(1,242)</u> | <u>(3,428,627)</u> |
| Balance at 30 June 2018 | 317,214 | 100,042 | 6,289 | 5,720 | 165,001 | 119,622 | 713,888 |
| Additions | - | - | - | - | - | 51,826 | 51,826 |
| Disposals | - | - | - | - | - | (137,904) | (137,904) |
| Exchange differences | - | 99 | 154 | - | - | 2,071 | 2,324 |
| Amortisation expense | - | <u>(1,215)</u> | <u>(6,443)</u> | <u>(4,665)</u> | - | <u>(3,817)</u> | <u>(16,140)</u> |
| Balance at 30 June 2019 | <u>317,214</u> | <u>98,926</u> | <u>-</u> | <u>1,055</u> | <u>165,001</u> | <u>31,798</u> | <u>613,994</u> |

Note 10. Non-current assets - intangibles (continued)

Goodwill acquired through business combinations is allocated to cash generating units, as follows:

| | Consolidated | |
|-----------------------------|---------------------|----------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Cash generating unit | | |
| Q & A: | | |
| - Bongo IP Ltd | 230,774 | 230,774 |
| - Global AQA IP Pty Ltd | 64,393 | 64,393 |
| - Buddy IP Pty Ltd | 22,047 | 22,047 |
| | <u>317,214</u> | <u>317,214</u> |

Note 11. Current liabilities - trade and other payables

| | Consolidated | |
|-------------------------------------|---------------------|------------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Trade payables | 1,921,970 | 2,568,426 |
| Accrued expenses and other payables | 2,171,442 | 2,211,966 |
| | <u>4,093,412</u> | <u>4,780,392</u> |

Refer to note 21 for further information on financial instruments.

Note 12. Current liabilities - deferred revenue

| | Consolidated | |
|------------------|---------------------|----------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Deferred revenue | <u>176,345</u> | <u>105,101</u> |

AASB 15 uses the term 'contract assets' and 'contract liabilities'. To maintain consistency in presentation with prior periods, the Group has retained the use of 'accrued income' and 'deferred revenue', respectively.

Note 13. Current liabilities - borrowings

| | Consolidated | |
|---------------------------------|---------------------|------------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Convertible notes payable - JGB | <u>-</u> | <u>3,287,542</u> |

The JGB convertible note balance was paid in full upon refinancing with BillFront on 12 April 2019.

Refer to note 15 for further information on assets pledged as security.

Refer to note 21 for further information on financial instruments.

Note 14. Current liabilities - employee benefits

| | Consolidated | |
|-------------------|---------------------|---------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Employee benefits | 46,098 | 82,404 |
| | <u>46,098</u> | <u>82,404</u> |

Note 15. Non-current liabilities - borrowings

| | Consolidated | |
|--------------------------------------|---------------------|-------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Loans payable - NTH Mobile Limited | 418,397 | - |
| Loans payable - BillFront | 2,169,032 | - |
| Convertible notes payable - Obsidian | 404,420 | - |
| | <u>2,991,849</u> | <u>-</u> |

Refer to note 21 for further information on financial instruments.

Loans payable – NTH Mobile Limited

The NTH Mobile Limited balance date debt is EUR€261,500. The principal balance and interest, payable at a fixed annual rate of 3.99%, is due upon maturity at 25 September 2020.

Loans payable – BillFront

The BillFront note balance date debt is EUR€1,339,835. The note is a two-year revolving credit facility with a maximum aggregate outstanding amount of EUR€1,750,000. It is senior secured against all of the Company's assets, including receivables. The effective annual interest rate is 11.3% and the maturity date is 12 April 2021.

Convertible notes payable – Obsidian

On 6 June 2019, the Company entered into a Convertible Securities Agreement with Obsidian Global Partners, LLC ('Obsidian'), pursuant to which Obsidian may invest up to AUD\$1,500,000 in cash across two tranches in return for convertible notes in the Company. The first tranche was executed on 12 June 2019, pursuant to which the Company raised AUD\$750,000 (less associated fees and costs) and issued 5,259 convertible notes with a face value of USD\$120 each. On 28 June 2019, Obsidian converted 500 notes to shares. As the transaction did not meet the fixed-for-fixed test, the conversion option is recorded as a derivative liability and measured at fair value (refer note 16).

The second tranche, in which Obsidian may invest a further AUD\$750,000 in the Company, is intended to occur no earlier than 90 days after the date of the first tranche (12 June 2019) and is subject to the Company satisfying certain conditions, including obtaining approval of its shareholders.

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

| | Consolidated | |
|--------------------------------------|---------------------|------------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Loans payable - NTH Mobile Limited | 418,397 | - |
| Loans payable - BillFront | 2,169,032 | - |
| Convertible notes payable - JGB | - | 3,287,542 |
| Convertible notes payable - Obsidian | 404,420 | - |
| | <u>2,991,849</u> | <u>3,287,542</u> |

Note 16. Non-current liabilities - derivative financial instruments

| | Consolidated 2019 \$ | 2018 \$ |
|--|----------------------------|------------|
| Convertible note derivative liability - fair value | <u>152,467</u> | <u>-</u> |

Refer to note 21 for further information on financial instruments.

Refer to note 22 for further information on fair value measurement.

Note 17. Equity - issued capital

| | 2019 Shares | 2018 Shares | Consolidated 2019 \$ | 2018 \$ |
|------------------------------|--------------------|--------------------|----------------------------|-------------------|
| Ordinary shares - fully paid | <u>241,265,666</u> | <u>222,074,251</u> | <u>28,720,072</u> | <u>28,167,383</u> |

Movements in ordinary share capital

| Details | Date | Shares | Issue price | \$ |
|---|-------------------|--------------------|-------------|-------------------|
| Balance | 1 July 2017 | 219,683,699 | | 28,165,539 |
| Issue of shares on exercise of performance rights | 15 September 2017 | 2,912,844 | | - |
| Issue of shares | 5 December 2017 | 769,230 | \$0.130 | 100,000 |
| Share buy-back | 7 June 2018 | (1,291,522) | \$0.076 | (98,156) |
| Balance | 30 June 2018 | 222,074,251 | | 28,167,383 |
| Issue of shares | 12 December 2018 | 11,288,179 | \$0.038 | 428,957 |
| Issue of shares in satisfaction of commitment fees for new issue of convertible notes | 12 June 2019 | 1,681,614 | | 37,500 |
| Issue of shares on conversion of convertible notes | 28 June 2019 | 6,221,622 | \$0.014 | 86,232 |
| Balance | 30 June 2019 | <u>241,265,666</u> | | <u>28,720,072</u> |

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.

Share buy-back

On 20 April 2018, the Company announced a buy-back of ordinary shares for holders of less than marketable parcels of shares in the Company. A total of 1,291,522 were sold at a price of 7.6 cent per share, being the Volume Weighted Average Price for the 5 days on which shares were traded between 11 April 2018 and 19 April 2018. The proceeds were distributed to the shareholders who participated in the Buy-Back before 20 June 2018. These shares were cancelled once transferred to the Company.

Capital risk management

The Group'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 17. Equity - issued capital (continued)

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

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment. The Group will pursue additional investments however in the short term the focus is to integrate and grow its existing businesses in order to maximise synergies.

The Group is subject to certain financing arrangement covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 2018 Annual Report.

Note 18. Equity - reserves

| | Consolidated | |
|--------------------------------------|---------------------|------------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Foreign currency reserve | 249,274 | (261,953) |
| Share-based payments reserve | 4,813,399 | 4,788,649 |
| Convertible note optionality reserve | - | 212,851 |
| | <u>5,062,673</u> | <u>4,739,547</u> |

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Convertible note optionality reserve

The reserve is used to recognise the value of the optionality component of the convertible note over the life of the facility.

Note 19. Equity - accumulated losses

| | Consolidated | |
|---|---------------------|---------------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Accumulated losses at the beginning of the financial year | (28,251,499) | (2,210,227) |
| Loss after income tax benefit for the year | (4,795,984) | (26,041,272) |
| Transfer from convertible note optionality reserve | 212,851 | - |
| Accumulated losses at the end of the financial year | <u>(32,834,632)</u> | <u>(28,251,499)</u> |

Note 20. Equity - dividends

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

Note 21. Financial instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Due to our smaller size and less complex business and including the natural revenue and expense cash flow hedges in the Australian and European operations, whilst we maintain an active dialogue with foreign exchange providers, as yet the Group, to date, has not required the use of derivative financial instruments such as forward foreign exchange contracts to hedge risk. This may change in the future as our operations and related treasury needs develop. The Group uses different methods to measure different types of risk to which it is exposed. These methods may include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, as well as ageing analysis for credit risk.

Risk management is carried out between the CEO and key management personnel under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. The CEO and CFO identify, evaluate and hedge financial risks within the Group's operating units (where appropriate) and report to the Board on a monthly basis.

Market risk

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The average exchange rates and reporting date exchange rates applied were as follows:

| | Average exchange rates | | Reporting date exchange rates | |
|---------------------------|------------------------|----------|-------------------------------|----------|
| | 2019 | 2018 | 2019 | 2018 |
| Australian dollars | | | | |
| United Kingdom Sterling | 0.5525 | 0.5760 | 0.5522 | 0.5610 |
| European Union Euros | 0.6268 | 0.6500 | 0.6172 | 0.6330 |
| United States Dollars | 0.7151 | 0.7760 | 0.7015 | 0.7400 |
| Hungarian Forint | 201.6197 | 202.6040 | 199.0528 | 208.5860 |

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

| Consolidated | Assets | | Liabilities | |
|----------------------|------------------|-------------------|------------------|------------------|
| | 2019 \$ | 2018 \$ | 2019 \$ | 2018 \$ |
| Australian Dollar | 928,775 | 2,414,189 | 1,367,561 | 578,070 |
| Euros | 3,221,842 | 5,346,757 | 5,259,549 | 5,639,503 |
| Pound Sterling | 452,159 | 833,453 | 97,501 | 130,039 |
| United States Dollar | 977,641 | 1,091,473 | 353,877 | 631,248 |
| Mexican Peso | 337,803 | 411,624 | 74,984 | - |
| Turkish Lira | 393,953 | 238,209 | 33,010 | - |
| South African Rand | 364,892 | 553 | 4,777 | - |
| Hungarian Forint | 96,285 | 294,517 | - | - |
| Other | 722,246 | 303,868 | 563,287 | 4,684 |
| | <u>7,495,596</u> | <u>10,934,643</u> | <u>7,754,546</u> | <u>6,983,544</u> |

Sensitivity analysis

Note 21. Financial instruments (continued)

| Consolidated - 2019 | % change | AUD strengthened | | % change | AUD weakened | |
|-------------------------|----------|-----------------------------|------------------|----------|-----------------------------|------------------|
| | | Effect on profit before tax | Effect on equity | | Effect on profit before tax | Effect on equity |
| United Kingdom Sterling | 5% | 114,831 | 114,831 | (5%) | (114,831) | (114,831) |
| European Union Euros | 5% | (62,617) | (62,617) | (5%) | 62,617 | 62,617 |
| Other currencies | 5% | 221,565 | 221,565 | (5%) | (221,565) | (221,565) |
| | | <u>273,779</u> | <u>273,779</u> | | <u>(273,779)</u> | <u>(273,779)</u> |

| Consolidated - 2018 | % change | AUD strengthened | | % change | AUD weakened | |
|-------------------------|----------|-----------------------------|--------------------|----------|-----------------------------|------------------|
| | | Effect on profit before tax | Effect on equity | | Effect on profit before tax | Effect on equity |
| United Kingdom Sterling | 5% | 95,027 | 95,027 | (5%) | (95,027) | (95,027) |
| European Union Euros | 5% | (1,175,952) | (1,175,952) | (5%) | 1,175,952 | 1,175,952 |
| Other currencies | 5% | 17,521 | 17,521 | (5%) | (17,521) | (17,521) |
| | | <u>(1,063,404)</u> | <u>(1,063,404)</u> | | <u>1,063,404</u> | <u>1,063,404</u> |

The analysis above has been carried out on the following basis:

- Management's estimate of what is reasonably possible for changes in exchange rates (i.e. 5%) for the financial year.
- Hedged transactions were not taken into consideration. It is reasonable to expect that fluctuations on the value of hedged items are almost fully offset by hedging instruments.

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

The Group's main interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The policy is to maintain borrowings at fixed rates and to monitor fair value interest rate risk in Australia and Europe to ensure borrowings remain competitively priced. If deemed necessary, the Group may seek to utilise interest rate swaps or re-financing to achieve this when necessary.

As at the reporting date, the Group had the following borrowings:

| Consolidated | 2019 | | 2018 | |
|--|----------------------------------|------------------|----------------------------------|------------------|
| | Weighted average interest rate % | Balance \$ | Weighted average interest rate % | Balance \$ |
| Loans payable - BillFront | 11.25% | 2,169,032 | - | - |
| Loans payable - NTH | 3.99% | 418,398 | - | - |
| Convertible notes payable - Obsidian | - | 404,420 | - | - |
| Convertible notes payable - JGB | - | - | 15.00% | 3,287,542 |
| Net exposure to cash flow interest rate risk | | <u>2,991,850</u> | | <u>3,287,542</u> |

Note 21. Financial instruments (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. To date, the significant portion of credit risk relates to the telecommunications aggregator companies from which the Group receives its cash flows after 7 to 180 days post month end. The Group tries to ensure that it transacts with the largest aggregator companies available in the various countries in which it conducts business and makes regular industry reference checks and sets credit limits to mitigate credit risk. If a risk concentration is deemed too great in a particular country then the Group seeks to utilise multiple aggregators.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

The Group has no significant credit risk at 30 June 2019 or 30 June 2018.

Liquidity risk

Vigilant liquidity risk management requires the Group 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 Group 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.

Remaining contractual maturities

The following tables detail the Group'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.

| | <i>Weighted average interest rate</i> % | <i>1 year or less</i> \$ | <i>Between 1 and 2 years</i> \$ | <i>Between 2 and 5 years</i> \$ | <i>Over 5 years</i> \$ | <i>Remaining contractual maturities</i> \$ |
|---------------------------------------|--|-----------------------------|--|--|---------------------------|---|
| Consolidated - 2019 | | | | | | |
| Non-derivatives | | | | | | |
| <i>Non-interest bearing</i> | | | | | | |
| Trade payables | - | 1,921,970 | - | - | - | 1,921,970 |
| Accrued expenses and other payables | - | 2,171,442 | - | - | - | 2,171,442 |
| <i>Interest-bearing - variable</i> | | | | | | |
| Loans payable - BillFront | 11.30% | 160,780 | 2,289,617 | - | - | 2,450,397 |
| <i>Interest-bearing - fixed rate</i> | | | | | | |
| Convertible notes payable | - | - | 404,420 | - | - | 404,420 |
| Loans payable - NTH Mobile Limited | 3.99% | - | 443,095 | - | - | 443,095 |
| Total non-derivatives | | 4,254,192 | 3,137,132 | - | - | 7,391,324 |
| Derivatives | | | | | | |
| Convertible note derivative liability | - | - | 152,467 | - | - | 152,467 |
| Total derivatives | | - | 152,467 | - | - | 152,467 |

Note 21. Financial instruments (continued)

| | Weighted average interest rate % | 1 year or less \$ | Between 1 and 2 years \$ | Between 2 and 5 years \$ | Over 5 years \$ | Remaining contractual maturities \$ |
|--------------------------------------|---|----------------------|--------------------------------|--------------------------------|--------------------|--|
| Consolidated - 2018 | | | | | | |
| Non-derivatives | | | | | | |
| <i>Non-interest bearing</i> | | | | | | |
| Trade payables | - | 2,568,426 | - | - | - | 2,568,426 |
| Accrued expenses and other payables | - | 2,317,067 | - | - | - | 2,317,067 |
| <i>Interest-bearing - fixed rate</i> | | | | | | |
| Convertible notes payable | 15.00% | 3,287,542 | - | - | - | 3,287,542 |
| Total non-derivatives | | 8,173,035 | - | - | - | 8,173,035 |

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

Note 22. Fair value measurement

Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

| | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
|---------------------------------------|---------------|---------------|------------------|------------------|
| Consolidated - 2019 | | | | |
| <i>Liabilities</i> | | | | |
| Loans payable | - | - | 2,587,429 | 2,587,429 |
| Convertible notes payable | - | - | 404,420 | 404,420 |
| Convertible note derivative liability | - | - | 152,467 | 152,467 |
| Total liabilities | - | - | 3,144,316 | 3,144,316 |

| | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
|----------------------------|---------------|---------------|------------------|------------------|
| Consolidated - 2018 | | | | |
| <i>Liabilities</i> | | | | |
| Convertible notes payable | - | - | 3,287,542 | 3,287,542 |
| Total liabilities | - | - | 3,287,542 | 3,287,542 |

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities. The discount rate used is 23%.

Valuation techniques for fair value measurements categorised within level 2 and level 3
Unquoted investments have been valued using a discounted cash flow model.

Note 22. Fair value measurement (continued)

Level 3 assets and liabilities

Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

| Consolidated | <i>Loans payable - NTH Mobile Limited</i> \$ | <i>Loans payable - BillFront</i> \$ | <i>Convertible notes - JGB</i> \$ | <i>Convertible notes - Obsidian</i> \$ | <i>Total</i> \$ |
|-------------------------|---|--|--------------------------------------|---|--------------------|
| Balance at 1 July 2017 | - | - | 7,923,847 | - | 7,923,847 |
| Disposals | - | - | (4,636,305) | - | (4,636,305) |
| Balance at 30 June 2018 | - | - | 3,287,542 | - | 3,287,542 |
| Additions | 418,397 | 2,169,032 | - | 404,420 | 2,991,849 |
| Refinanced | - | - | (3,287,542) | - | (3,287,542) |
| Balance at 30 June 2019 | <u>418,397</u> | <u>2,169,032</u> | <u>-</u> | <u>404,420</u> | <u>2,991,849</u> |

Note 23. Key management personnel disclosures

Compensation

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

| | Consolidated | |
|------------------------------|---------------------|------------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Short-term employee benefits | 1,645,079 | 1,699,809 |
| Post-employment benefits | 19,410 | 52,169 |
| Termination benefits | - | 153,765 |
| Share-based payments | - | 259,590 |
| | <u>1,664,489</u> | <u>2,165,333</u> |

Note 24. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by RSM Australia Partners, the auditor of the Company, and its network firms:

| | Consolidated | |
|--|---------------------|----------------|
| | 2019 | 2018 |
| | \$ | \$ |
| <i>Audit services - RSM Australia Partners</i> | | |
| Audit or review of the financial statements | <u>149,600</u> | <u>107,000</u> |
| <i>Audit services - RSM Netherlands</i> | | |
| Audit or review of the financial statements | <u>-</u> | <u>82,720</u> |

Note 25. Commitments

| | Consolidated | |
|---|---------------------|----------------|
| | 2019 | 2018 |
| | \$ | \$ |
| <i>Lease commitments - operating</i> | | |
| Committed at the reporting date but not recognised as liabilities, payable: | | |
| Within one year | 416,977 | 334,720 |
| One to five years | 332,166 | 494,751 |
| | <u>749,143</u> | <u>829,471</u> |

Operating lease commitments includes contracted amounts for various offices and plant and equipment under non-cancellable operating leases. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

The Group had no finance lease commitments at 30 June 2019 or 30 June 2018.

Note 26. Related party transactions

Parent entity

Crowd Media Holdings Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 27.

Key management personnel

Disclosures relating to key management personnel are set out in note 23.

Transactions with related parties

The following transactions occurred with related parties:

| | Consolidated | |
|---|---------------------|-------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Payment for services: | | |
| • Boardroom Pty Limited (Director S. Karzis is the General Manager of Corporate Counsel Pty Ltd, a subsidiary of Boardroom) provided professional registry and corporate secretarial services to Crowd Media Holdings Limited | 115,571 | 82,630 |
| • Mish Guru Limited (Director D. Carosa is a 0.25% shareholder) provided marketing services to Crowd Media Holdings Limited subsidiaries | 35,335 | 61,986 |
| • Wholesale Investor Pty Ltd (Director D. Carosa is a 7.77% shareholder) provided investor promotions services to Crowd Media Holdings Limited | 4,750 | 9,750 |
| Other expense transactions: | | |
| • Compensation paid to Sophie Karzis, Company Secretary and legal counsel, via monies paid to her company Corporate Counsel Pty Ltd | 60,949 | 94,597 |
| Other (payment) / receipt transactions: | | |
| • Dominet Digital Corporation Pty Ltd (a Carosa vendor) provided administrative support, telephone and credit via card facilities, at cost, to Crowd Media Holdings Limited. These costs were offset by amounts paid to Crowd Media for office rent recharges, at cost. | 20,490 | (5,931) |
| • Crowd Media Holdings Limited recharged Global Internet Ventures Pty Ltd (Director D. Carosa is a 23% shareholder) for office space rented, at cost. | 84,721 | - |
| • Crowd Media Holdings Limited recharged Kindy Now Pty Ltd (Director D. Carosa is a 7.78% shareholder) for office space rented, at cost. | 30,807 | - |

Note 26. Related party transactions (continued)

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

| | Consolidated | |
|---|---------------------|-------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Current receivables: | | |
| • Crowd Media Holdings Limited recharged Global Internet Ventures Pty Ltd (Director D. Carosa is a 23% shareholder) for office space rented, at cost. | 24,984 | - |
| • Crowd Media Holdings Limited recharged Kindy Now Pty Ltd (Director D. Carosa is a 7.78% shareholder) for office space rented, at cost. | 4,550 | - |
| Current payables: | | |
| • Payable to Sophie Karzis, Company Secretary and legal counsel, for director fees via her company Corporate Counsel Pty Ltd | 31,474 | 4,950 |
| • Payable to Boardroom Pty Limited for professional registry and corporate secretarial services to Crowd Media Holdings Limited | 19,610 | 23,386 |
| • Mish Guru Limited (Director D. Carosa is a 0.25% shareholder) provided marketing services to Crowd Media Holdings Limited subsidiaries | 5,759 | - |
| • Dominet Digital Corporation Pty Ltd (a Carosa vendor) provided administrative support, telephone and credit via card facilities, at cost, to Crowd Media Holdings Limited. These costs were offset by amounts paid to Crowd Media for office rent recharges, at cost. | 1,956 | - |

Loans to/from related parties

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

Note 27. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

| Name | Principal place of business / Country of incorporation | Ownership interest | |
|--|---|---------------------------|-------------|
| | | 2019 | 2018 |
| | | % | % |
| Bongo Operations Pty Ltd | Australia | 100% | 100% |
| Bongo IP Pty Ltd | Australia | 100% | 100% |
| Global AQA Pty Ltd * | Australia | 100% | 100% |
| Global AQA IP Pty Ltd | Australia | 100% | 100% |
| Buddy Operations Pty Ltd | Australia | 100% | 100% |
| Buddy IP Pty Ltd | Australia | 100% | 100% |
| Crowd Mobile IP Pty Ltd | Australia | 100% | 100% |
| Crowd Media Holdings Pty Ltd (formerly Crowd Mobile Australia Pty Ltd) | Australia | 100% | 100% |
| Bongo Europe Pty Ltd | Australia | 100% | 100% |
| Digital Global Marketing Pty Ltd | Australia | 100% | 100% |
| Crowd Mobile EU Kft | Europe | 100% | 100% |
| Crowd Media (Global) UK Ltd (formerly Crowd Butler UK Ltd) | United Kingdom | 100% | 100% |
| Crowd Mobile Co-Operatif U.A. * | The Netherlands | 100% | 100% |
| Crowd Mobile QA Services B.V. | The Netherlands | 100% | 100% |
| Track Holdings B.V. | The Netherlands | 100% | 100% |
| Track Online B.V. | The Netherlands | 100% | 100% |
| Track Concepts B.V. | The Netherlands | 100% | 100% |
| Be Tracked Media B.V. | The Netherlands | 100% | 100% |
| Vivazz Mobile B.V. | The Netherlands | 100% | 100% |

Note 27. Interests in subsidiaries (continued)

| Name | Principal place of business / Country of incorporation | Ownership interest | |
|---------------------------------|---|--------------------|-----------|
| | | 2019 % | 2018 % |
| Track Mobile B.V. | The Netherlands | 100% | 100% |
| Immediato B.V. | The Netherlands | 100% | 100% |
| Mobilizo B.V. | The Netherlands | 100% | 100% |
| Yulara B.V. | The Netherlands | 100% | 100% |
| Crowd Mobile QA Operations B.V. | The Netherlands | 100% | 100% |
| Crowd Mobile IP B.V. | The Netherlands | 100% | 100% |
| Crowd Media B.V. | The Netherlands | 100% | 100% |
| Q Share Plan Pty Limited | Australia | 100% | 100% |
| Inala QA B.V. | The Netherlands | 100% | 100% |

* Global AQA Pty Ltd owns 1% of Crowd Mobile Co-Operatif U.A.

Note 28. Cash flow information

Reconciliation of loss after income tax to net cash from/(used in) operating activities

| | Consolidated | |
|---|--------------------|------------------|
| | 2019 \$ | 2018 \$ |
| Loss after income tax benefit for the year | (4,795,984) | (26,041,272) |
| Adjustments for: | | |
| Depreciation and amortisation | 209,128 | 3,648,101 |
| Impairment of intangibles | - | 25,380,044 |
| Net loss on disposal of intangibles | - | 25,245 |
| Share-based payments | 24,750 | 382,380 |
| Non-cash interest on loans | - | (564,625) |
| Transfers - non-cash | - | (141,337) |
| Convertible note share issues - non-cash | 123,732 | - |
| Change in operating assets and liabilities: | | |
| Decrease in trade and other receivables | 222,178 | 3,386,858 |
| Decrease in accrued income | 2,675,167 | - |
| Decrease/(increase) in income tax refund due | 9,874 | (343,949) |
| Decrease/(increase) in deferred tax assets | (1,099,951) | 278,286 |
| Decrease/(increase) in prepayments | 178,009 | (62,007) |
| Increase in other operating assets | (41,589) | (25,410) |
| Increase/(decrease) in trade and other payables | (686,980) | 63,500 |
| Increase in deferred revenue | 71,244 | - |
| Increase in derivative liabilities | 152,467 | - |
| Decrease in provision for income tax | - | (786,757) |
| Decrease in deferred tax liabilities | - | (2,547,137) |
| Decrease in employee benefits | (36,306) | (12,705) |
| Increase in other provisions | 550,909 | - |
| Net cash from/(used in) operating activities | <u>(2,443,352)</u> | <u>2,639,215</u> |

Note 28. Cash flow information (continued)

Changes in liabilities arising from financing activities

| Consolidated | <i>Loans payable - NTH Mobile Limited</i> \$ | <i>Loans payable - BillFront</i> \$ | <i>Convertible notes payable - JGB</i> \$ | <i>Convertible notes payable - Obsidian</i> \$ | <i>Loan - other</i> \$ | <i>Total</i> \$ |
|--|---|--|--|---|---------------------------|--------------------|
| Balance at 1 July 2017 | - | - | 7,923,847 | - | 27,696 | 7,951,543 |
| Net cash used in financing activities | - | - | (4,636,305) | - | (27,696) | (4,664,001) |
| Balance at 30 June 2018 | - | - | 3,287,542 | - | - | 3,287,542 |
| Net cash from/(used in) financing activities | 418,397 | 2,169,032 | (3,287,542) | 404,420 | - | (295,693) |
| Balance at 30 June 2019 | <u>418,397</u> | <u>2,169,032</u> | <u>-</u> | <u>404,420</u> | <u>-</u> | <u>2,991,849</u> |

Note 29. Earnings per share

| | Consolidated | |
|---|---------------------|---------------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Loss after income tax attributable to the owners of Crowd Media Holdings Limited | <u>(4,795,984)</u> | <u>(26,041,272)</u> |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | <u>228,411,790</u> | <u>222,336,199</u> |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>228,411,790</u> | <u>222,336,199</u> |
| | Cents | Cents |
| Basic earnings per share | (2.10) | (11.71) |
| Diluted earnings per share | (2.10) | (11.71) |

Options and performance rights have been excluded from the above calculation in the current and previous year as their inclusion would be anti-dilutive.

Note 30. Share-based payments

As part of the debt refinancing plan in the current year, options were issued to entities associated with JGB (Cayman) Newton Ltd ('JGB'). The options are unlisted with an exercise price of \$0.05 cents and a 3-year term.

Set out below are summaries of options granted:

| 2019 | | | | | | | |
|-------------------|--------------------|-----------------------|---|----------------|------------------|--------------------------------|---------------------------------------|
| <i>Grant date</i> | <i>Expiry date</i> | <i>Exercise price</i> | <i>Balance at the start of the year</i> | <i>Granted</i> | <i>Exercised</i> | <i>Expired/forfeited/other</i> | <i>Balance at the end of the year</i> |
| 02/04/2019 | 02/04/2022 | \$0.050 | - | 2,000,000 | - | - | 2,000,000 |
| | | | - | 2,000,000 | - | - | 2,000,000 |

Note 30. Share-based payments (continued)

Other options

Set out below are summaries of additional options issued to the vendors of Track Holdings B.V. ('Track') as partial consideration for the sale of Track to the Company, and to suppliers for capital raising and investor relations services rendered during the reporting period, outside of the ESOP:

2019

| <i>Grant date</i> | <i>Expiry date</i> | <i>Exercise price</i> | <i>Balance at the start of the year</i> | <i>Granted</i> | <i>Exercised</i> | <i>Expired/ forfeited/ other</i> | <i>Balance at the end of the year</i> |
|-------------------|--------------------|-----------------------|---|----------------|------------------|----------------------------------|---------------------------------------|
| 29/08/2016 | 01/11/2021 | \$0.300 | 5,000,000 | - | - | (5,000,000) | - |
| 30/06/2017 | 09/06/2020 | \$0.250 | 1,000,000 | - | - | (1,000,000) | - |
| | | | 6,000,000 | - | - | (6,000,000) | - |

All options lapsed during the year.

2018

| <i>Grant date</i> | <i>Expiry date</i> | <i>Exercise price</i> | <i>Balance at the start of the year</i> | <i>Granted</i> | <i>Exercised</i> | <i>Expired/ forfeited/ other</i> | <i>Balance at the end of the year</i> |
|-------------------|--------------------|-----------------------|---|----------------|------------------|----------------------------------|---------------------------------------|
| 29/08/2016 | 01/11/2021 | \$0.300 | 5,000,000 | - | - | - | 5,000,000 |
| 30/06/2017 | 09/06/2020 | \$0.250 | 1,000,000 | - | - | - | 1,000,000 |
| | | | 6,000,000 | - | - | - | 6,000,000 |

Performance rights

On 17 December 2014, shareholders approved a Performance Rights Plan ('PR Plan'). Under the PR Plan, selected employees and Directors may be granted performance rights which will entitle them to receive ordinary shares in the Company, subject to the Company meeting performance objectives.

Set out below are summaries of performance rights granted under the plan:

2019

| <i>Grant date</i> | <i>Expiry date</i> | <i>Balance at the start of the year</i> | <i>Granted</i> | <i>Exercised</i> | <i>Expired/ forfeited/ other</i> | <i>Balance at the end of the year</i> |
|-------------------|--------------------|---|----------------|------------------|----------------------------------|---------------------------------------|
| 16/01/2015 | 30/11/2018 | 2,500,000 | - | - | (2,500,000) | - |
| 11/05/2015 | 30/11/2018 | 1,500,000 | - | - | (1,500,000) | - |
| 10/07/2015 | 30/11/2018 | 325,000 | - | - | (325,000) | - |
| 24/07/2015 | 30/11/2018 | 500,000 | - | - | (500,000) | - |
| 02/12/2015 | 30/11/2018 | 16,667 | - | - | (16,667) | - |
| 13/04/2016 | 30/11/2018 | 479,161 | - | - | (479,161) | - |
| 05/08/2016 | 30/11/2018 | 500,000 | - | - | (500,000) | - |
| 15/09/2017 | 30/11/2018 | 2,912,844 | - | - | (2,912,844) | - |
| 25/07/2018 | 25/07/2021 | - | 6,000,000 | - | - | 6,000,000 |
| | | 8,733,672 | 6,000,000 | - | (8,733,672) | 6,000,000 |

Note 30. Share-based payments (continued)

2018

| <i>Grant date</i> | <i>Expiry date</i> | <i>Balance at the start of the year</i> | <i>Granted</i> | <i>Exercised</i> | <i>Expired/ forfeited/ other</i> | <i>Balance at the end of the year</i> |
|-------------------|--------------------|---|----------------|------------------|----------------------------------|---------------------------------------|
| 16/01/2015 | 30/11/2018 | 2,500,000 | - | - | - | 2,500,000 |
| 11/05/2015 | 30/11/2018 | 1,500,000 | - | - | - | 1,500,000 |
| 10/07/2015 | 30/11/2018 | 325,000 | - | - | - | 325,000 |
| 24/07/2015 | 30/11/2018 | 500,000 | - | - | - | 500,000 |
| 02/12/2015 | 30/11/2018 | 16,667 | - | - | - | 16,667 |
| 13/04/2016 | 30/11/2018 | 479,161 | - | - | - | 479,161 |
| 05/08/2016 | 30/11/2018 | 500,000 | - | - | - | 500,000 |
| 14/07/2017 | 30/11/2018 | - | 6,000,000 | - | (6,000,000) | - |
| 15/09/2017 | 30/11/2018 | - | 3,250,000 | (337,156) | - | 2,912,844 |
| | | 5,820,828 | 9,250,000 | (337,156) | (6,000,000) | 8,733,672 |

Valuation model inputs

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

| <i>Grant date</i> | <i>Expiry date</i> | <i>Share price at grant date</i> | <i>Exercise price</i> | <i>Expected volatility</i> | <i>Dividend yield</i> | <i>Risk-free interest rate</i> | <i>Fair value at grant date</i> |
|-------------------|--------------------|----------------------------------|-----------------------|----------------------------|-----------------------|--------------------------------|---------------------------------|
| 02/04/2019 | 02/04/2022 | \$0.012 | \$0.050 | 81.30% | - | 1.00% | \$0.0015 |

For the performance rights granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

| <i>Grant date</i> | <i>Expiry date</i> | <i>Share price at grant date</i> | <i>Expected volatility</i> | <i>Dividend yield</i> | <i>Risk-free interest rate</i> | <i>Fair value at grant date</i> |
|-------------------|--------------------|----------------------------------|----------------------------|-----------------------|--------------------------------|---------------------------------|
| 25/07/2018 | 25/07/2021 | \$0.045 | - | - | - | \$0.0450 |

Note 31. Events after the reporting period

On 31 July 2019, the Company agreed to issue Performance Rights ('PRs') to employees. The PRs are based on share price targets and the maximum number of shares that can be issued on conversion is 5,500,000 at two years and 5,500,000 at three years.

On 31 July 2019, the Company cancelled the PRs issued on 25 July 2018. The three year PRs were based on share price and earnings per share targets and the maximum number of shares that could be issued on conversion was 6,000,000.

On 29 August 2019, the Company executed a binding Heads of Agreement ('HOA') with an alliance of strategic investors, collectively the Invincible Investment Consortium ('IIC'), to fund existing Company requirements, as well as develop new business synergies and joint ventures between Crowd Media and businesses that the IIC can introduce and facilitate. These would leverage Crowd Media's well-established technology and digital marketing platforms. Under the agreement, Crowd Media will issue IIC (and/or their nominees) with convertible notes with a face value of up to \$3,700,000 on the following key terms:

- Tranche 1: \$1,700,000 20-month facility to be drawn down by 31 August 2019 with a fixed conversion price of 1.8 cents; and
- Tranche 2: \$2,000,000 24-month facility, to be drawn down in 90 days with a fixed conversion price of 2.0 cents, subject to the parties agreeing to a business plan which focusses on strategic collaboration objectives.

As part of the investment and collaboration under the agreement, IIC principals Steven Schapera and Robert Quandt will be joining the Crowd Media Board of Directors in September 2019. Crowd Media's current Chairman, Theo Hnarakis, will be retiring from the Board to pursue other opportunities, and Steven Schapera will replace him as new Chairman.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.