

1. Company details

| | |
|-------------------|--|
| Name of entity: | Crowd Mobile Limited |
| ABN: | 13 083 160 909 |
| Reporting period: | For the half-year ended 31 December 2017 |
| Previous period: | For the half-year ended 31 December 2016 |

2. Results for announcement to the market

| | | | \$ |
|---|------|----------|------------|
| Revenues from ordinary activities | down | 2.1% to | 21,064,720 |
| Profit/loss from ordinary activities after tax attributable to the owners of Crowd Mobile Limited | up | 69.8% to | (276,314) |
| Profit/loss for the half-year attributable to the owners of Crowd Mobile Limited | up | 69.8% to | (276,314) |

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 \$276,314 (31 December 2016: \$914,549).

3. Net tangible assets

| | Reporting period Cents | Previous period Cents |
|---|------------------------------|-----------------------------|
| Net tangible assets per ordinary security | <u>1.40</u> | <u>(3.70)</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 were subject to a review by the auditors and the review report is attached as part of the Half Year Report.

11. Attachments

Details of attachments (if any):

The Half Year Report of Crowd Mobile Limited for the half-year ended 31 December 2017 is attached.

12. Signed



Signed _____

Date: 28 February 2018

Theo Hnarakis
Chairman
Melbourne

Crowd Mobile Limited

ABN 13 083 160 909

Half Year Report - 31 December 2017

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The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Crowd Mobile Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2017.

Directors

The following persons were directors of Crowd Mobile Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Theo Hnarakis – Non-executive Chairman
Domenic Carosa – Executive Director
Sophie Karzis – Non-executive Director

Principal activities

During the financial half-year the principal continuing activities of the Group consisted of the sale of information, entertainment and content and utility services for mobile phones and tablets.

Review of operations

The loss for the Group after providing for income tax amounted to \$276,314 (31 December 2016: \$914,549).

During the first half of the 2018 financial year ('half financial year') or ('half-year'), Crowd Mobile Limited was organised into two operating segments, Mobile Content-Q&A (or 'Q&A') and Mobile Content-Subscription (or 'Subscription'). The recently created business area of 'Crowd Media' is subsumed within Q&A for this half year reporting period, as the chief operating decision makers have not yet differentiated its business, resource usage or cashflows, separately from Q&A. The two active segments represented all of the Company's direct to consumer mobile entertainment products and consumed all resources. The Company operated its Mobile Content businesses globally, although predominately in Europe and Australasia.

Financial overview

The financial results for the half-year ended 31 December 2017 and for the prior half-year ended 31 December 2016, ('pcp' or 'prior period') represents those of the Crowd Mobile operating entities, the Track operating entities, and Crowd Mobile Limited.

Crowd Mobile earned revenue, interest and other income for the half-year ended 31 December 2017 of \$21,064,720 versus \$21,520,348 in the prior year. The net loss after tax for the year was \$276,314 compared with a pcp net loss after tax of \$914,549. The other comprehensive income for the year attributable to the owners of Crowd Mobile was \$332,444 when accounting for a foreign currency translation gain on foreign operations.

Crowd Mobile's net asset position at 31 December 2017 was \$30,449,768, an increase of 1.8% over the 30 June 2017 balance date position of \$29,911,258 reflecting minor working capital improvements.

Comparison of half-year ended 31 December 2017 to 31 December 2016

| | 31 Dec 2017 \$ | 31 Dec 2016 \$ | Increase/ (decrease) \$ | Percentage change % |
|--|-------------------|-------------------|-------------------------------|---------------------------|
| Revenue | 21,062,732 | 21,509,241 | (446,509) | (2%) |
| Other income | - | 1,634 | (1,634) | (100%) |
| Cost of sales | 4,513,422 | 4,769,369 | (255,947) | (5%) |
| Selling, general and administration expenses | 14,180,941 | 13,406,260 | 774,681 | 6% |
| EBITDA Profit / (Loss) | 2,368,369 | 3,335,246 | (966,877) | (29%) |
| Interest income | (1,988) | (9,473) | 7,485 | (79%) |
| Depreciation and amortisation | 1,819,955 | 2,531,077 | (711,122) | (28%) |
| Finance costs | 652,982 | 1,974,477 | (1,321,495) | (67%) |
| Income tax expense / (benefit) | 173,734 | (246,286) | 420,020 | (171%) |
| Net Profit / (Loss) After Tax | <u>(276,314)</u> | <u>(914,549)</u> | <u>638,235</u> | <u>(70%)</u> |

The Company's EBITDA and net profit includes a non-cash share-based payments charge of \$382,380 (included within selling, general and administration expenses).

When adjusting only for these effects (consistent with performance measures reported to shareholders during the half-year), the Underlying EBITDA for the financial half-year is a profit of \$2,750,749 (31 December 2016: \$4,733,356), shown as follows:

| | Consolidated | |
|---|------------------|------------------|
| | 31 Dec 2017 | 31 Dec 2016 |
| | \$ | \$ |
| Net profit / (loss) after tax (NPAT) | (276,314) | (914,549) |
| Add back: tax expense/(benefit) | 173,734 | (246,286) |
| Add back: finance costs | 652,982 | 1,974,477 |
| Deduct: interest income | (1,988) | (9,473) |
| Add back: depreciation and amortisation | 1,819,955 | 2,531,077 |
| Earnings before interest, tax, depreciation and amortisation (EBITDA) | 2,368,369 | 3,335,246 |
| Add back: share-based payments expense (non-cash) | 382,380 | 388,650 |
| Add back: re-financing costs (debt) | - | 1,009,460 |
| Underlying EBITDA | <u>2,750,749</u> | <u>4,733,356</u> |

Revenue

| | 31 Dec 2017 | 31 Dec 2016 | Increase/ (decrease) | Percentage change |
|---------|-------------|-------------|-------------------------|----------------------|
| | \$ | \$ | \$ | % |
| Revenue | 21,062,732 | 21,509,241 | (446,509) | (2%) |

For the half-year, revenue was represented by Q&A of \$12,632,708 (pcp: \$10,647,766) and Subscription, of \$8,430,024, (pcp: \$10,861,475).

The Q&A business produced a strong increase in revenue, up 19% due to continuous paid message volume growth across an expanded m-payments network. Paid message volumes increased by 22% to 6.8 million, half-year on half-year. The average revenue per paid message for the half-year was \$1.86 v \$1.91 for the prior half reflecting the Company's strategy of growing more strongly in lower unit economic countries.

Subscription contributed consolidated revenue of \$8,430,024, down 22% to December 2016 half-year. This business experienced disappointing regulatory challenges and ecosystem headwinds during the half-year and although broadly stable over 2017 calendar year, has performed below management's expectations. Management continues to work on tangible plans to augment Subscription's product offering in FY-18 which is expected to return the business to a growth profile.

We expect revenue to increase in the second half of FY18.

Expenses

(i) Cost of sales

For the half-year, the Group's cost of sales was \$4,513,422 or 21% of revenue (pcp: \$4,769,369 at 22%) and was represented by Q&A at \$3,276,632 (pcp: \$3,238,428) and Subscription of \$1,236,790 (pcp: \$1,530,941). The moderate margin improvement was the result of ongoing improvement in the Q&A business from the use of AI and machine learning solutions within Q&A.

We expect cost of sales as a percentage of revenue to be relatively flat in the second half of FY-18.

(ii) Selling, general and administration expense

For first half FY-18, the 6% increase in Crowd Mobile's selling, general, and administrative expenses (which includes Marketing and Product-R&D), to \$14,180,941 is mostly due to an increase in Employee benefits and Product development expenses, which reflects the company's strategy to invest into high growth business areas, such as digital influencer commerce.

We expect selling, general and administration expenses to increase moderately in the second half of FY-18, based on the company's strategy to continue investing into its high growth business areas.

| | 31 Dec 2017 \$ | 31 Dec 2016 \$ | Increase/ (decrease) \$ | Percentage change % |
|-----------------------------------|-------------------|-------------------|-------------------------------|---------------------------|
| Marketing | 6,846,126 | 6,572,371 | 273,755 | 4% |
| Administration and other expenses | 1,186,411 | 875,553 | 310,858 | 36% |
| Employee benefits expense | 4,086,446 | 3,332,396 | 754,050 | 23% |
| Product development | 558,258 | - | 558,258 | - |
| Share-based payment | 382,380 | 388,650 | (6,270) | (2%) |

- Marketing: The consolidated marketing expense of \$6,846,126 or 33% of revenue for first half FY-18 was up by \$273,755 or 4% versus first half FY-17: \$6,572,371(31% of revenue). Q&A was \$3,312,778 or 26% of revenue for the half-year, compared to pcp of \$2,337,708, at 22%. The weaker return on investment was a blend of softer returns across all established and innovation marketing channels. The Subscription expense was \$3,533,348 or 42% (pcp: \$4,234,663 at 39%). Moving forward, we expect a broadly consistent marketing cost income ratio.
- Administration and other expenses: the \$310,858 or 36% increase in expenses to \$1,186,411 is mostly due to significant increases in recruitment fees for hiring new and replacement employees (including in business areas), plus cpi rental increases.
- Employee benefits expense: the consolidated expense increased by \$754,070 or 23% for first half FY-18 versus FY-17 and was mostly driven by an expansion of headcount within the Q&A business for product development and digital influencer commerce teams. The Subscription expense declined to \$609,727 for the period, versus \$916,935 in first half FY-17. At 19% of group revenue, the first half FY-18 employee benefits expense ratio up trended however we expect this ratio to be stable for the remainder of FY-18 as more meaningful revenues materialise, from recent new business initiatives.
- Product development: for the first half of FY-18, the Company incurred a product development expense of \$558,258 (pcp: nil), which related to external product consultancy fees within Q&A to build software. In the second half of FY-18, we expect to spend similarly on product development in line with the Company's strategic plan and the growth of revenues realised from new business opportunities.
- Share-based payment: The consolidated expense of \$380,380 for first half FY-18 is a Directors and staff incentive expense and is attributed to Q&A. The strong majority of the amortisation expense for the half relates to previous financial year Director option grants.

(iii) Depreciation and amortisation

| | 31 Dec 2017 \$ | 31 Dec 2016 \$ | Increase/ (decrease) \$ | Percentage change % |
|--------------|-------------------|-------------------|-------------------------------|---------------------------|
| Depreciation | 140,769 | 106,348 | 34,421 | 32% |
| Amortisation | 1,679,186 | 2,424,729 | (745,543) | (31%) |
| | <u>1,819,955</u> | <u>2,531,077</u> | <u>(711,122)</u> | <u>(28%)</u> |

The half-year consolidated depreciation and amortisation expense of \$1,819,955 (pcp: \$2,531,077) is split between Q&A as \$63,619 (pcp: \$145,985) and Subscription as \$1,756,336 (pcp: \$2,385,092).

We expect the total consolidated depreciation and amortisation charges to reduce moving forward, as the estimated useful lives of the acquired identified intangible assets within the Subscription further expire.

(iv) Finance costs

The consolidated finance costs for first half of FY-18 of \$652,982 is a decrease of \$1,321,495 or 67% from first half FY-17 and reflects lower average debt levels including the prior half which had an unusual refinancing event that caused partial interest duplication for a cross-over period. We expect finance costs to remain broadly consistent for the second half of FY-18.

(v) Income tax expense/(benefit)

The consolidated tax expense for first-half FY-18 of \$173,734 (pcp: benefit of (\$246,286)) is represented by a Q&A expense of \$503,222 (pcp: benefit of \$204,678) and a Subscription benefit of (\$329,488) (pcp: benefit of \$41,608). The tax expense increase relates mostly to an increase in consolidated taxable profit as a result of similar group business performance combined with less deductibility of reduced finance costs.

Cash flow

The Company's net cash from operating activities for the half-year was \$2,649,497 which was an increase of \$1,112,623 or 72% versus the prior half year period of \$1,536,874. The improvement reflects significant decreases in payments for interest and taxes this half year.

The first-half FY-18 net trading receipts (excluding interest and tax cash flows) was \$4,163,646, which is a 21% decrease over the prior year, of \$5,285,183, although significant payments to suppliers and employees for establishing stronger product and digital influencer commerce opportunities were incurred this half-year.

The net cash flow from investing activities in this half-year was (\$169,715) versus (\$120,103) in the prior half-year and financing cash flows were minimal, with \$100,000 of Director related share proceeds being received subsequent to annual general meeting approval and no convertible note principal being repaid nor drawn during the period.

Liquidity and Financial Position

Crowd Mobile's 31 December 2017 reporting date cash and cash equivalents ('cash') was \$7,422,093 (30 June 2017: \$5,200,089).

Working capital, (defined as current assets less current liabilities), decreased by \$228,016 to \$4,229,083 (30 June 2017: \$4,457,099) and the decline reflects re-classification of borrowings from non-current to current, given the convertible note facility expires in January 2019.

Reporting date total current and non-current borrowings ('debt plus interest payable') was \$8,473,448 (30 June 2017: \$7,951,543).

Net debt (debt plus interest payable, less cash), at 31 December 2017 was \$1,051,355 (30 June 2017: \$2,751,454), a decrease of \$1,700,099 or 62%.

Net assets at 31 December 2017 were \$30,449,768 (30 June 2017: \$29,911,258).

Significant changes in the state of affairs

On 14 July 2017, the Company issued a second series of Performance Rights ('PR') to employees. The three year PR's are based on share price and earnings per share targets and the maximum number of shares that can be issued on conversion is 6,000,000.

On 15 September 2017, the Company issued 2,912,844 fully paid ordinary shares upon vesting of 3,250,000 Class C Performance rights that were granted under its Performance Rights plan which was approved by shareholders at the Company's Annual General Meeting on 17 December 2014.

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

Auditor's independence declaration

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

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

On behalf of the directors

A handwritten signature in blue ink, appearing to be 'TH', with a long horizontal stroke extending to the right.

Theo Hnarakis
Chairman

28 February 2018
Melbourne

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Crowd Mobile Limited for the half year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

**RSM AUSTRALIA PARTNERS**

J S CROALL
Partner

Dated: 28 February 2018
Melbourne, Victoria

Crowd Mobile Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2017



| | Note | Consolidated 31 Dec 2017 \$ | 31 Dec 2016 \$ |
|---|------|-----------------------------------|---------------------------|
| Revenue | | | |
| Revenue from continuing operations | | 21,062,732 | 21,509,241 |
| Interest income | | 1,988 | 9,473 |
| Other income | | - | 1,634 |
| | | <u>21,064,720</u> | <u>21,520,348</u> |
| Cost of sales | | <u>(4,513,422)</u> | <u>(4,769,369)</u> |
| Gross profit | | <u>16,551,298</u> | <u>16,750,979</u> |
| Expenses | | | |
| Marketing | | (6,846,126) | (6,572,371) |
| Administration and other expenses | | (1,186,411) | (875,553) |
| Consultants | | (674,447) | (852,133) |
| Depreciation and amortisation expense | | (1,819,955) | (2,531,077) |
| Employee benefits expense | | (4,086,446) | (3,332,396) |
| Travel and accommodation | | (446,873) | (375,697) |
| Product development | | (558,258) | - |
| Share based payment | | (382,380) | (388,650) |
| Re-finance costs | | - | (1,009,460) |
| Finance costs | | <u>(652,982)</u> | <u>(1,974,477)</u> |
| Loss before income tax (expense)/benefit | | (102,580) | (1,160,835) |
| Income tax (expense)/benefit | | <u>(173,734)</u> | <u>246,286</u> |
| Loss after income tax (expense)/benefit for the half-year attributable to the owners of Crowd Mobile Limited | | (276,314) | (914,549) |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Foreign currency translation | | <u>332,444</u> | <u>(479,799)</u> |
| Other comprehensive income for the half-year, net of tax | | <u>332,444</u> | <u>(479,799)</u> |
| Total comprehensive income for the half-year attributable to the owners of Crowd Mobile Limited | | <u><u>56,130</u></u> | <u><u>(1,394,348)</u></u> |
| | | Cents | Cents |
| Basic earnings per share | 16 | (0.12) | (0.54) |
| Diluted earnings per share | 16 | (0.12) | (0.54) |

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

| | Note | Consolidated 31 Dec 2017 \$ | 30 Jun 2017 \$ |
|--------------------------------|------|-----------------------------------|-------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 4 | 7,422,093 | 5,200,089 |
| Trade and other receivables | 5 | 10,659,057 | 11,206,630 |
| Loans to related entities | 6 | 9,853 | - |
| Other | 7 | 425,017 | 408,963 |
| Total current assets | | <u>18,516,020</u> | <u>16,815,682</u> |
| Non-current assets | | | |
| Property, plant and equipment | 8 | 481,839 | 400,397 |
| Intangibles | 9 | 27,330,685 | 28,139,464 |
| Deferred tax | | 618,958 | 758,254 |
| Total non-current assets | | <u>28,431,482</u> | <u>29,298,115</u> |
| Total assets | | <u>46,947,502</u> | <u>46,113,797</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 10 | 5,519,835 | 4,821,993 |
| Borrowings | 11 | 8,237,464 | 6,654,724 |
| Income tax | | 294,380 | 786,757 |
| Provisions | 12 | 235,258 | 95,109 |
| Total current liabilities | | <u>14,286,937</u> | <u>12,358,583</u> |
| Non-current liabilities | | | |
| Borrowings | 13 | - | 1,296,819 |
| Deferred tax | | 2,210,797 | 2,547,137 |
| Total non-current liabilities | | <u>2,210,797</u> | <u>3,843,956</u> |
| Total liabilities | | <u>16,497,734</u> | <u>16,202,539</u> |
| Net assets | | <u>30,449,768</u> | <u>29,911,258</u> |
| Equity | | | |
| Issued capital | 14 | 28,265,539 | 28,165,539 |
| Reserves | | 4,670,770 | 3,955,946 |
| Accumulated losses | | (2,486,541) | (2,210,227) |
| Total equity | | <u>30,449,768</u> | <u>29,911,258</u> |

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

Crowd Mobile Limited
Statement of changes in equity
For the half-year ended 31 December 2017



| | Issued capital \$ | Foreign currency reserve \$ | Share-based payments reserve \$ | Convertible note optionality reserve \$ | Accumulated losses \$ | Total equity \$ |
|--|----------------------|--------------------------------|------------------------------------|--|--------------------------|--------------------|
| Consolidated | | | | | | |
| Balance at 1 July 2016 | 20,071,730 | (497,464) | 3,863,420 | - | (2,124,703) | 21,312,983 |
| Loss after income tax benefit for the half-year | - | - | - | - | (914,549) | (914,549) |
| Other comprehensive income for the half-year, net of tax | - | (479,799) | - | - | - | (479,799) |
| Total comprehensive income for the half-year | - | (479,799) | - | - | (914,549) | (1,394,348) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | | |
| Contributions of equity, net of transaction costs | 2,897,133 | - | - | - | - | 2,897,133 |
| Share-based payments | - | - | 388,650 | - | - | 388,650 |
| Convertible note option | - | - | - | 212,851 | - | 212,851 |
| Balance at 31 December 2016 | <u>22,968,863</u> | <u>(977,263)</u> | <u>4,252,070</u> | <u>212,851</u> | <u>(3,039,252)</u> | <u>23,417,269</u> |
| Consolidated | | | | | | |
| 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 expense for the half-year | - | - | - | - | (276,314) | (276,314) |
| Other comprehensive income for the half-year, net of tax | - | 332,444 | - | - | - | 332,444 |
| Total comprehensive income for the half-year | - | 332,444 | - | - | (276,314) | 56,130 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | | |
| Contributions of equity, net of transaction costs (note 14) | 100,000 | - | - | - | - | 100,000 |
| Share-based payments | - | - | 382,380 | - | - | 382,380 |
| Balance at 31 December 2017 | <u>28,265,539</u> | <u>(330,730)</u> | <u>4,788,649</u> | <u>212,851</u> | <u>(2,486,541)</u> | <u>30,449,768</u> |

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

| | Consolidated | |
|---|---------------------|--------------------|
| | 31 Dec 2017 | 31 Dec 2016 |
| | \$ | \$ |
| Cash flows from operating activities | | |
| Receipts from customers (inclusive of GST) | 21,725,645 | 22,149,758 |
| Payments to suppliers and employees (inclusive of GST) | (17,856,379) | (16,864,575) |
| Interest received | 1,988 | 9,473 |
| Interest and other finance costs paid | (358,602) | (1,974,477) |
| Income taxes paid | (863,155) | (1,783,305) |
| | <hr/> | <hr/> |
| Net cash provided by operating activities | 2,649,497 | 1,536,874 |
| Cash flows from investing activities | | |
| Payment for purchase of subsidiary, net of cash acquired | - | (28,963) |
| Payments for property, plant and equipment | (161,245) | (76,668) |
| Payments for security deposits | (8,470) | (14,472) |
| | <hr/> | <hr/> |
| Net cash used in investing activities | (169,715) | (120,103) |
| Cash flows from financing activities | | |
| Proceeds from issue of shares | 100,000 | 3,000,000 |
| Share issue transaction costs | - | (102,867) |
| Repayment of borrowings - Greensill loan | - | (10,415,334) |
| Repayment of borrowings - other | (37,549) | - |
| Proceeds from borrowings - other | - | 5,851 |
| Proceeds from issue of convertible notes, net of principal repayments | - | 8,552,617 |
| Dividends paid | - | (279,217) |
| | <hr/> | <hr/> |
| Net cash provided by financing activities | 62,451 | 761,050 |
| Net increase in cash and cash equivalents | 2,542,233 | 2,177,821 |
| Cash and cash equivalents at the beginning of the financial half-year | 5,200,089 | 2,902,881 |
| Effects of exchange rate changes on cash and cash equivalents | (320,229) | (436,501) |
| | <hr/> | <hr/> |
| Cash and cash equivalents at the end of the financial half-year | <u>7,422,093</u> | <u>4,644,201</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 Mobile Limited as a Group consisting of Crowd Mobile Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Crowd Mobile Limited's functional and presentation currency.

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

Level 4
44 Gwynne Street
Cremorne VIC 3121

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 February 2018. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2017 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

New or amended Accounting Standards and Interpretations adopted

The Group 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. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 3. Operating segments

Identification of reportable operating segments

The Group is organised into two operating segments, Mobile Content - Q & A ('Q&A') and Mobile Content - Subscription ('Subscription'). 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 recently created business area of 'Crowd Media' is subsumed within Q&A for this half-year reporting period, as the CODM have not yet differentiated its business, resource usage or cashflows, separately from Q&A.

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

Note 3. Operating segments (continued)

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 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 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. |

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.

Operating segment information

| Consolidated - 31 Dec 2017 | Q&A \$ | Subscription \$ | Total \$ |
|--|-------------------|--------------------|-------------------|
| Revenue | | | |
| Sales to external customers | 12,632,708 | 8,430,024 | 21,062,732 |
| Interest income | 1,988 | - | 1,988 |
| Total revenue | <u>12,634,696</u> | <u>8,430,024</u> | <u>21,064,720</u> |
| EBITDA | 138,281 | 2,230,088 | 2,368,369 |
| Depreciation and amortisation | (63,619) | (1,756,336) | (1,819,955) |
| Interest income | 1,988 | - | 1,988 |
| Finance costs | (646,742) | (6,240) | (652,982) |
| Profit/(loss) before income tax expense | <u>(570,092)</u> | <u>467,512</u> | <u>(102,580)</u> |
| Income tax expense | | | (173,734) |
| Loss after income tax expense | | | <u>(276,314)</u> |
| Assets | | | |
| Segment assets | <u>6,594,724</u> | <u>32,930,685</u> | 39,525,409 |
| Unallocated assets – Cash and cash equivalents | | | 7,422,093 |
| Total assets | | | <u>46,947,502</u> |
| Liabilities | | | |
| Segment liabilities | <u>3,891,800</u> | <u>4,368,470</u> | 8,260,270 |
| Unallocated liabilities - Borrowings | | | 8,237,464 |
| Total liabilities | | | <u>16,497,734</u> |

Note 3. Operating segments (continued)

| Consolidated - 31 Dec 2016 | Q&A \$ | Subscription \$ | Total \$ |
|--|--------------------|--------------------|--------------------|
| Revenue | | | |
| Sales to external customers | 10,647,766 | 10,861,475 | 21,509,241 |
| Interest income | 9,430 | 43 | 9,473 |
| Other income | 1,634 | - | 1,634 |
| Total revenue | <u>10,658,830</u> | <u>10,861,518</u> | <u>21,520,348</u> |
| EBITDA | | | |
| Depreciation and amortisation | (355,250) | 3,690,496 | 3,335,246 |
| Interest income | (145,985) | (2,385,092) | (2,531,077) |
| Finance costs | 9,430 | 43 | 9,473 |
| | (674,782) | (1,299,695) | (1,974,477) |
| Profit/(loss) before income tax benefit | <u>(1,166,587)</u> | <u>5,752</u> | <u>(1,160,835)</u> |
| Income tax benefit | | | 246,286 |
| Loss after income tax benefit | | | <u>(914,549)</u> |
| Consolidated - 30 Jun 2017 | | | |
| Assets | | | |
| Segment assets | 7,539,205 | 33,374,503 | 40,913,708 |
| Unallocated assets – Cash and cash equivalents | | | 5,200,089 |
| Total assets | | | <u>46,113,797</u> |
| Liabilities | | | |
| Segment liabilities | 3,625,391 | 4,653,301 | 8,278,692 |
| Unallocated liabilities - Borrowings | | | 7,923,847 |
| Total liabilities | | | <u>16,202,539</u> |

Note 4. Current assets - cash and cash equivalents

| | Consolidated 31 Dec 2017 \$ | Consolidated 30 Jun 2017 \$ |
|--------------|---|---|
| Cash at bank | <u>7,422,093</u> | <u>5,200,089</u> |

Note 5. Current assets - trade and other receivables

| | Consolidated 31 Dec 2017 \$ | Consolidated 30 Jun 2017 \$ |
|---|---|---|
| Trade receivables | 4,485,436 | 4,675,834 |
| Less: Provision for impairment of receivables | (383,877) | (371,673) |
| | <u>4,101,559</u> | <u>4,304,161</u> |
| Accrued income | 6,557,498 | 6,902,469 |
| | <u>10,659,057</u> | <u>11,206,630</u> |

Note 6. Current assets - loans to related entities

| | Consolidated | |
|------------------------------------|--------------|-------------|
| | 31 Dec 2017 | 30 Jun 2017 |
| | \$ | \$ |
| Loan - Dominet Digital Corporation | 9,853 | - |

Note 7. Current assets - other

| | Consolidated | |
|-------------------|----------------|----------------|
| | 31 Dec 2017 | 30 Jun 2017 |
| | \$ | \$ |
| Prepayments | 364,913 | 357,329 |
| Security deposits | 60,104 | 51,634 |
| | <u>425,017</u> | <u>408,963</u> |

Note 8. Non-current assets - property, plant and equipment

| | Consolidated | |
|--------------------------------|----------------|----------------|
| | 31 Dec 2017 | 30 Jun 2017 |
| | \$ | \$ |
| Plant and equipment - at cost | 1,273,426 | 1,119,564 |
| Less: Accumulated depreciation | (791,587) | (719,167) |
| | <u>481,839</u> | <u>400,397</u> |

Reconciliations

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

| Consolidated | Plant and equipment \$ |
|-----------------------------|------------------------------|
| Balance at 1 July 2017 | 400,397 |
| Additions | 161,245 |
| Exchange differences | 60,966 |
| Depreciation expense | <u>(140,769)</u> |
| Balance at 31 December 2017 | <u>481,839</u> |

Note 9. Non-current assets - intangibles

| | Consolidated | |
|----------------------------------|---------------------|--------------------|
| | 31 Dec 2017 | 30 Jun 2017 |
| | \$ | \$ |
| Goodwill - at cost | 18,248,564 | 17,538,217 |
| Intellectual property - at cost | 2,659,707 | 2,660,313 |
| Less: Accumulated amortisation | <u>(2,614,155)</u> | <u>(2,613,554)</u> |
| | 45,552 | 46,759 |
| Distribution network - at cost | 13,371,977 | 12,946,841 |
| Less: Accumulated amortisation | <u>(6,288,641)</u> | <u>(4,541,124)</u> |
| | 7,083,336 | 8,405,717 |
| Customer subscriptions - at cost | 2,456,814 | 2,378,704 |
| Less: Accumulated amortisation | <u>(2,456,814)</u> | <u>(2,378,704)</u> |
| | - | - |
| Software - at cost | 2,956,560 | 2,893,932 |
| Less: Accumulated amortisation | <u>(1,180,980)</u> | <u>(935,465)</u> |
| | 1,775,580 | 1,958,467 |
| Databases - at cost | 621,900 | 621,900 |
| Less: Accumulated amortisation | <u>(444,247)</u> | <u>(431,596)</u> |
| | 177,653 | 190,304 |
| | <u>27,330,685</u> | <u>28,139,464</u> |

Reconciliations

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

| Consolidated | Goodwill | Intellectual | Distribution | Customer | Software | Databases | Total |
|-----------------------------|-------------------|---------------------|---------------------|-------------------|------------------|------------------|-------------------|
| | \$ | property | network | sub- | \$ | \$ | \$ |
| | | \$ | \$ | scriptions | | | |
| | | | | \$ | | | |
| Balance at 1 July 2017 | 17,538,217 | 46,759 | 8,405,717 | - | 1,958,467 | 190,304 | 28,139,464 |
| Exchange differences | 710,347 | (1,207) | 117,706 | - | 43,561 | - | 870,407 |
| Amortisation expense | - | - | (1,440,087) | - | (226,448) | (12,651) | (1,679,186) |
| Balance at 31 December 2017 | <u>18,248,564</u> | <u>45,552</u> | <u>7,083,336</u> | <u>-</u> | <u>1,775,580</u> | <u>177,653</u> | <u>27,330,685</u> |

Note 10. Current liabilities - trade and other payables

| | Consolidated | |
|-------------------------------------|---------------------|--------------------|
| | 31 Dec 2017 | 30 Jun 2017 |
| | \$ | \$ |
| Trade payables | 1,929,375 | 1,479,228 |
| Interest payable - JGB note | 235,984 | - |
| Accrued expenses and other payables | <u>3,354,476</u> | <u>3,342,765</u> |
| | 5,519,835 | 4,821,993 |

Note 11. Current liabilities - borrowings

| | Consolidated | |
|------------------------------------|------------------|------------------|
| | 31 Dec 2017 | 30 Jun 2017 |
| | \$ | \$ |
| Convertible notes payable - JGB | 8,237,464 | 6,627,028 |
| Loan - Dominet Digital Corporation | - | 27,696 |
| | <u>8,237,464</u> | <u>6,654,724</u> |

Refer to note 13 for further details on borrowings.

Note 12. Current liabilities - provisions

| | Consolidated | |
|-------------------|----------------|---------------|
| | 31 Dec 2017 | 30 Jun 2017 |
| | \$ | \$ |
| Employee benefits | 235,258 | 95,109 |
| | <u>235,258</u> | <u>95,109</u> |

Note 13. Non-current liabilities - borrowings

| | Consolidated | |
|---------------------------------|--------------|------------------|
| | 31 Dec 2017 | 30 Jun 2017 |
| | \$ | \$ |
| Convertible notes payable - JGB | - | 1,296,819 |
| | <u>-</u> | <u>1,296,819</u> |

Total secured liabilities

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

| | Consolidated | |
|---------------------------|------------------|------------------|
| | 31 Dec 2017 | 30 Jun 2017 |
| | \$ | \$ |
| Convertible notes payable | 8,237,464 | 7,923,847 |
| | <u>8,237,464</u> | <u>7,923,847</u> |

Convertible notes payable - JGB

The JGB convertible note balance date debt is Euro €5,410,000. The loan repayments are made monthly at the discretion of the issuer and in cash, although the Company has discretion to pay in equity. The headline coupon rate is 6.25% although the effective finance cost (which depends on the facility usage) is estimated at 15.0% per annum, inclusive of cash premiums, origination issuer discount and JGB's conversion right. The maturity date is 31 January 2019.

Note 14. Equity - issued capital

| | Consolidated | | | |
|------------------------------|-----------------------|-----------------------|-------------------|-------------------|
| | 31 Dec 2017 Shares | 30 Jun 2017 Shares | 31 Dec 2017 \$ | 30 Jun 2017 \$ |
| Ordinary shares - fully paid | <u>223,365,773</u> | <u>219,683,699</u> | <u>28,265,539</u> | <u>28,165,539</u> |

Movements in ordinary share capital

| Details | Date | No of 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 | <u>769,230</u> | \$0.130 | <u>100,000</u> |
| Balance | 31 December 2017 | <u>223,365,773</u> | | <u>28,265,539</u> |

Note 15. Fair value measurement

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.

Note 16. Earnings per share

| | Consolidated | |
|---|--------------------|--------------------|
| | 31 Dec 2017 \$ | 31 Dec 2016 \$ |
| Loss after income tax attributable to the owners of Crowd Mobile Limited | <u>(276,314)</u> | <u>(914,549)</u> |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | <u>221,394,879</u> | <u>169,190,659</u> |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>221,394,879</u> | <u>169,190,659</u> |
| | Cents | Cents |
| Basic earnings per share | (0.12) | (0.54) |
| Diluted earnings per share | (0.12) | (0.54) |

Options and performance rights have been excluded from the above calculation at 31 December 2017 and 31 December 2016 as their inclusion would be anti-dilutive.

Note 17. Events after the reporting period

On 23 February 2018, the Company made a convertible loan principal repayment of Euro €3.0 million (circa A\$4.7 million) from existing cash reserves. After giving effect to the repayment, the outstanding principal balance of the note is Euro €2.6 million (circa A\$4.1 million).

No other matter or circumstance has arisen since 31 December 2017 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.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

A handwritten signature in blue ink, appearing to read 'Theo Hnarakis', with a long horizontal stroke extending to the right.

Theo Hnarakis
Chairman

28 February 2018
Melbourne

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INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
CROWD MOBILE LIMITED

We have reviewed the accompanying half-year financial report of Crowd Mobile Limited (“the Company”) which comprises the statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors’ declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year review.

Directors’ Responsibility for the Half-Year Financial Report

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

Auditor’s Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity’s financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Crowd Mobile Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Crowd Mobile Limited, would be in the same terms if given to the directors as at the time of this auditor’s review report.

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*



RSM AUSTRALIA PARTNERS



J S CROALL
Partner

Dated: 28 February 2018
Melbourne, Victoria