Appendix 4D

Half Year Report to the Australian Stock Exchange

Name of Entity	Mobile Embrace Limited
ABN	24 089 805 416
Half Year Period	31 December 2015
Previous Corresponding Reporting Period	31 December 2014

Results for Announcement to the Market

	($ 000)	**Percentage increase /(decrease) over previous corresponding period**
Revenue from ordinary activities	28,017	99.07%
Profit from ordinary activities after tax attributable to members	2,791	81.20%
Net profit for the period attributable to members	2,791	81.20%
Dividends (distributions)	**Franked amount per security**	**Franked amount per security**
Final Dividend	Nil	Nil
Interim Dividend	Nil	Nil
Record date for determining entitlements to the dividends (if any)	N/A	
Total issued and paid up ordinary shares	396,169,763	

Brief explanation of any of the figures reported above necessary to enable the figures to be understood:

Financial Summary

- Sales Revenue of $28.00 million (1HFY15 $14.07 million)
- EBITDA $4.06 million (1HFY15 $ 1.73 million)
- NPAT $2.79 million (1HFY15 $ 1.54 million)
- Cash at Bank $5.04 million (1HFY15 $10.44 million)

Mobile Embrace Limited (ASX: MBE) is a global mobile commerce company. Through our integrated mobile marketing and carrier billing infrastructure we deliver an easy and seamless consumer engagement and transaction experience on any mobile device, enabling ourselves and our partners to reach and acquire customers at scale, and to take full advantage of the strong industry forecasts for global growth in mobile marketing and carrier billing.

For Mobile Embrace, this produces a combination of annuity and campaign based revenue streams in an expanding industry environment.

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated group for the half-year ended 31 December 2015.

Directors

The names of directors who held office during or since the end of the half-year:

	Drew Kelton	Non-executive Chairman
	Christopher Thorpe	Chief Executive Officer
	Gavin Whyte	Non-executive Director
	David Andrew Haines	Non-executive Director

Review of Operations

Mobile Embrace Limited posted an EBITDA of $4.06 million and a NPAT of $2.79 million for the half-year end results.

The principal activities of the consolidated entity are mobile commerce (mobile marketing and carrier billing).

As a global mobile marketing and carrier billing m-commerce company the consolidated entity, through its integrated mobile marketing and carrier billing infrastructure enables the reach, engagement, transactions with and embracement of consumers via mobile devices.

The activities of the consolidated entity are business-to-business and business to consumer.

The clients and partners of the consolidated entity are businesses that want to acquire high volumes of customers on any mobile device and mobile operators wanting to increase their average revenue per user (ARPU)

There were no other significant changes in the nature of the consolidated group's principal activities during the period.

$ million	Six Months to December 2015 $ million	Six Months to December 2014 $ million
Revenue	28.00	14.07
EBITDA	4.06	1.73
Net Profit / (Loss) After Tax	2.79	1.54

The Company

Mobile Embrace Limited (ASX: MBE) is a global mobile commerce company. Through our integrated mobile marketing and carrier billing infrastructure we deliver an easy and seamless consumer engagement and transaction experience on any mobile device, enabling ourselves and our partners to reach and acquire customers at scale, and to take full advantage of the strong industry forecasts for global growth in mobile marketing and carrier billing. For Mobile Embrace, this produces a combination of annuity and campaign based revenue streams in an expanding industry environment. For more information please see www.mobileembrace.com

Acquisitions

Vizmond Pty Ltd and Vizmond Media Pty Ltd were acquired by Mobile Embrace for a total consideration of $2.5 million plus potential contingent consideration of up to a further $3.5 million (total potential consideration of $6.0 million) over three years and subject to profit before tax targets through to 2018. The Company took control of Vizmond Pty Ltd and Vizmond Media Pty Ltd on 1 July 2015. Vizmond is on target for FY2016 revenue of $2.5 million, $1 million EBITDA. Vizmond posted an EBITDA of $0.46 million for the period 1 July 2015 to the 31 December 2015. The acquisition of Vizmond has contributed to the groups EBITDA in the reporting period by $0.46 million

Acquisitions continued:

MBE acquired Marketing Punch Limited on favourable terms with an upfront cash consideration of £2.14 million (AUD$4.68 million) as well as the issue of 4 million MBE shares at 26 cents escrowed for a period of 12 months. In addition to the upfront consideration, and subject to achieving 100% of financial targets over the next three years, there will be an additional cash consideration of £1.5 million for each year of successful achievement (£4.5 million (AUD$9.77 million).

Marketing Punch is forecast for the UK FY2016 to generate annual EBITDA of £1.2 million (AUD$2.6 million) from revenue of £3.7 million (AUD$8.03 million) which means the acquisition of the business will be immediately earnings per share accretive to MBE.

Marketing Punch posted an EBITDA of $0.77 million for the period 1 September 2015 to 31 December 2015. The acquisition of Marketing Punch has contributed to the groups EBITDA in the reporting period by $0.77 million.

Cash flow

The Company's Cash at Bank was $5.04 million as at 31 December 2015 compared to $10.44 million as at 31 December 2014.

Unresolved Litigation

As announced to the ASX 6 October 2015: During the course of the half year Mobile Embrace was served with a Statement of Claim filed in the Supreme Court of NSW from a company called GBD Ventures Pty Ltd (The Claim). The Claim alleges that Mobile Embrace owes GBD an amount in the order of $4 million in respect of a digital video advertising supply agreement involving the two companies. The Claim has subsequently been reduced by GBD to $3.5 million. In response to the Claim MBE has filed and served a defence and a cross claim against the Plaintiff and its two major shareholders who were also representatives of GBD. The amount of the cross claim is yet to be quantified, but is expected to be substantial. MBE is also to file a Notice of Motion by 23 February 2016 seeking orders from the court that GBD provide security to the court in respect of Mobile Embrace's costs in a sum presently being assessed by an expert witness. That Motion is returnable before the court on 4 March 2016 and is expected to be heard some time during that month. As at the time of reporting the litigation remains in the pleadings stage with all pleadings to close sometime in March 2016.

MBE continues to deny the claim in its entirety. It is anticipated that if the matter is unresolved and proceeds to trial, this will not take place prior to the end of the current 2016 financial year

Auditor's Declaration

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* is set out on page 5 for the half-year ended 31 December 2015.

This report is signed in accordance with a resolution of the Board of Directors.

Chris Thorpe

Director

Dated this 18th day of February 2016

MOBILE EMBRACE LIMITED ABN 24 089 805 416
AND CONTROLLED ENTITIES

AUDITOR'S INDEPENDENCE DECLARATION UNDER S 307C
OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF MOBILE EMBRACE LIMITED

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2015 there have been no contraventions of:

a. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

b. any applicable code of professional conduct in relation to the review.

MNSA Pty Ltd

MNSA Pty Ltd

Mark Schiliro
Director

Sydney
Dated this 18th day of February 2016

MNSA PTY LTD
ABN 59 133 605 400

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Note	Consolidated Group	
		31.12.15	31.12.14
Revenue		**27,997,126**	14,072,654
Cost of sales		**(7,461,792)**	(2,390,193)
		20,535,334	11,682,461
Interest income		**20,003**	163,493
Service providers and commissions		**(566,245)**	(545,667)
Administration expenses		**(297,894)**	(148,031)
Advertising and marketing expenses		**(8,628,571)**	(4,353,877)
Finance costs		**(8,108)**	(135)
Depreciation and amortisation		**(673,063)**	(464,162)
Employee benefits expense		**(5,628,838)**	(3,607,889)
Occupancy expenses		**(156,527)**	(198,219)
Operational expenses		**(462,092)**	(395,748)
Other expenses from ordinary activities		**(756,593)**	(701,505)
Profit/(loss) before income tax		**3,377,406**	1,430,721
Income tax benefit/(expense)		**(586,858)**	109,754
Profit/(loss) for the half- year		**2,790,548**	1,540,475
Non-controlling interest		**-**	-
Net profit/(loss) for the half- year		**2,790,548**	1,540,475
Basic earnings per share (cents per share)		0.73	0.41
Diluted earnings per share (cents per share)		0.68	0.39

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Consolidated Group	
	31.12.15	31.12.14
Profit/(loss) for the period	**3,377,406**	**1,430,721**
Income tax benefit/(expense)	**(586,858)**	**109,754**
Profit/(loss) for the half-year	**2,790,548**	**1,540,475**
Other comprehensive income	**-**	-
Income tax relating to other comprehensive income	**-**	-
Total comprehensive income for the half-year	**-**	-
Total comprehensive Income for the period attributable to :		
Members of the parent entity	**2,790,548**	**1,540,475**
	2,790,548	**1,540,475**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Consolidated Group	
	31.12.15	30.06.15
CURRENT ASSETS		
Cash and cash equivalents	**5,044,512**	9,538,904
Trade and other receivables	**13,874,886**	9,007,205
Other current assets	**1,249,898**	437,276
Total current assets	**20,169,296**	18,983,385
NON-CURRENT ASSETS		
Trade and other receivable	**-**	251,485
Plant and equipment	**829,630**	220,151
Intangible assets	**3,017,221**	2,717,395
Deferred tax assets	**570,714**	407,698
Investments	**3,103,388**	1,936,722
Goodwill	**21,568,832**	7,447,989
Other non-current assets	**6,300**	6,300
Total non-current assets	**29,096,085**	12,987,740
TOTAL ASSETS	**49,265,381**	31,971,125
CURRENT LIABILITIES		
Trade and other payables	**7,946,252**	4,747,295
Current tax liabilities	**1,807,652**	1,208,593
Deferred consideration - acquisition	**3,668,543**	1,666,667
Short-term provisions	**788,944**	584,540
Total current liabilities	**14,211,391**	8,207,095
NON-CURRENT LIABILITIES		
Deferred consideration - acquisition	**3,350,000**	1,168,543
Borrowings	**5,065,394**	-
Provisions	**110,355**	54,541
Total non-current liabilities	**8,525,749**	1,223,084
TOTAL LIABILITIES	**22,737,140**	9,430,179
NET ASSETS	**26,528,241**	22,540,946
EQUITY		
Issued capital	**34,049,541**	32,839,166
Reserves	**566,839**	580,466
Accumulated losses	**(8,088,139)**	(10,878,686)
TOTAL EQUITY	**26,528,241**	22,540,946

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Issued Capital	Accumulated Losses	Other Reserves	Total Equity
At 1 July 2014	**30,572,218**	**(13,924,240)**	**183,607**	**16,831,585**
Issued Capital	1,000,000			1,000,000
Profit for the year		1,540,475		1,540,475
Option reserve relating to options issued			91,032	91,032
Options reserve relating to options expired				
Option reserve relating to options converting to capital	72,077		(20,076)	52,001
At 31 December 2014	**31,644,295**	**(12,383,765)**	**254,563**	**19,515,093**
Issued Capital	1,194,871			1,194,871
Profit for the year		1,505,079		1,505,079
Option reserve relating to options issued			325,903	325,903
Options reserve relating to options expired				
Option reserve relating to options converting to capital				
At 30 June 2015	**32,839,166**	**(10,878,686)**	**580,466**	**22,540,946**
Issued Capital	1,040,000			1,040,000
Profit for the year		2,790,547		2,790,547
Option reserve relating to options issued			141,154	141,154
Options reserve relating to options expired				
Option reserve relating to options converting to capital	170,375		(154,781)	15,594
At 31 December 2015	**34,049,541**	**(8,088,139)**	**566,839**	**26,528,241**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Consolidated Group	
	31.12.15	31.12.14
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	**23,380,929**	**11,149,859**
Payments to suppliers and employees	**(21,221,126)**	**(10,235,082)**
Interest received	**20,003**	**163,493**
Income Tax paid	**(100,529)**	**-**
Finance costs	**(8,108)**	**(135)**
Net cash provided by / (used in) operating activities	**2,071,169**	**1,078,135**
CASH FLOW FROM INVESTING ACTIVITIES		
Payments for investment in acquisition	**(8,897,514)**	**(2,200,000)**
Payments for investment in Clipp	**(1,166,666)**	**-**
Payments for purchases of plant and equipment	**(362,826)**	**(189,039)**
Payments for purchases of intangible assets	**(1,219,543)**	**(606,636)**
Net cash (used in) / provided by investing activities	**(11,646,549)**	**(2,995,675)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from converted options	**15,594**	**72,077**
Proceeds from borrowings	**5,065,394**	**30,393**
Net cash provided by / (used in) financing activities	**5,080,988**	**102,470**
Net increase / (decrease) in cash held	**(4,494,392)**	**(1,815,070)**
Cash at beginning of half-year	**9,538,904**	**12,257,894**
Cash at end of half-year	**5,044,512**	**10,442,824**

The accompanying notes form part of these financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2015 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Mobile Embrace Limited and its controlled entities (referred to as the Consolidated Group or the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2015, together with any public announcements made during the following half-year.

Going Concern

This 31 December 2015 interim financial report has been prepared on the basis of a going concern. The basis presumes that funds will be available to finance future operations and that realisation of assets and settlement of liabilities will occur in the normal course of business.

Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except in relation to the matters discussed below.

Principles of Consolidation

The consolidated financial statements incorporated all of the assets, liabilities and results of the parent Mobile Embrace Limited and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of subsidiaries is provided in Note 3.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date on which that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interest in a subsidiary not attributable, directly or indirectly, to the Group is presented as “non-controlling interests”. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary’s net assets on liquidation at either fair value or at the non-controlling interests’ proportionate share of the subsidiaries net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical Accounting Estimates and Judgments

The critical estimates and judgments are consistent with those applied and disclosed in the June 2015 annual report.

Adoption of new and revised Accounting standards

The Company has adopted all of the new and revised Standards and interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current reporting period.

The adoption of all new and revised Standards and Interpretations has not resulted in any changes to the Company's accounting policies and has had no effect on the amounts reported for the current or prior periods. The new and revised Standards and Interpretations has not had a material impact and not resulted in changes to the Company's presentation of, or disclosures in, its interim Financial statements.

New accounting standards and Interpretations issued but not yet applied by the entity

There are no other standards that are not yet effective and that are expected to have impact on the Company in the current or future reporting periods and on foreseeable future transactions.

NOTE 2: OPERATING SEGMENTS

Segment Information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations inherently have different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the products sold and / or services provided by segment;
- the type or class of customer for the products or services;
- the distribution method; and
- any external regulatory requirements.

Types of products and services by segment

(I) CARRIER BILLING

The Company enables itself and its partners integrated customer acquisition, management and carrier billing via mobile devices. It enables the reaching of, engagement and transactions (where the transaction is carrier billing), with consumers on their mobile devices via its digital media trading desk and carrier billing platforms.

Consumers seamlessly engage with digital product and service offers and utilise carrier billing to conveniently pay for them on their mobile devices. The clients and partners are businesses that want to acquire high volumes of customers on any mobile device and mobile operators wanting to increase their average revenue per user (ARPU)

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

Note 2: Operating Segments (continued)

(II) MOBILE MARKETING

The Company enables itself and its partners integrated performance marketing and customer acquisition via mobile devices.

It enables the reaching of, engagement and transactions (where the transaction is lead generation), with consumers on their mobile devices via its mobile marketing platforms, permission databases, publisher network and award winning creative mechanics.

The clients and partners are businesses that want to acquire high volumes of customers on any mobile device.

(III) Segment Performance

31 December 2015	**C billing**	**M mar**	**Total**
REVENUE			
External sales	17,383,008	10,614,118	27,997,126
Internal sales	-	-	-
Total segment revenue	**17,383,008**	**10,614,118**	**27,997,126**
Segment net profit / (loss) before tax	**2,012,114**	**2,825,518**	**4,837,632**
Reconciliation of segment result to group net profit / loss before tax			
Amounts not included in segment results but reviewed by the Board:			
- Depreciation and amortisation			(673,063)
- Net Interest Revenue			11,895
Unallocated items:			
- Corporate charges			(799,058)
Net profit / (loss) before tax			**3,377,406**

	C billing	**M mar**	**Total**
31 DECEMBER 2014			
REVENUE			
External sales	8,894,103	5,178,551	14,072,654
Internal sales	-	-	-
Total segment revenue	**8,894,103**	**5,178,551**	**14,072,654**

Note 2: Operating Segments (continued)

(III) Segment Performance (continued)

	C billing	M mar	Total
Segment net profit / (loss) before tax	**1,857,707**	**508,047**	**2,365,754**
Reconciliation of segment result to group net profit / loss before tax			
Amounts not included in segment results but reviewed by the Board:			
- Depreciation and amortisation			(464,162)
- Interest Revenue			163,493
Unallocated items:			
- Corporate charges:			(634,364)
Net profit / (loss) before tax			**1,430,721**

NOTE 3 – INTEREST IN SUBSIDIARIES

Set out below are the Group's subsidiaries at 31 December 2015. The subsidiaries listed below have share capital consisting solely of ordinary shares, which are held directly by the Group and the proportion of ownership interest held equals the voting rights held by the Group. Each subsidiary's country of incorporation or registration is also its principal place of business.

		Ownership Interest	
Name of Entity	**Country of Incorporation**	**2015 %**	2014 %
Parent Entity:			
Mobile Embrace Limited	Australia		
Subsidiaries of Mobile Embrace Limited:			
Global One Mobile Entertainment Pty Ltd	Australia	**100**	100
Divolution Limited	Australia	**100**	100
6G Pty Ltd	Australia	**100**	100
7A Pty Ltd	Australia	**100**	100
8Z Pty Ltd	Australia	**100**	100
Mobipay Pty Ltd	Australia	**100**	100
4th Screen Pty Ltd	Australia	**100**	100
Convey Pty Ltd	Australia	**100**	100
Convey Global Pte Ltd	Singapore	**100**	100
The Performance Factory Pty Ltd	Australia	**100**	100
Eggmobi Pty Ltd	Australia	**100**	100
Vizmond Pty Ltd (acquired 1 July 2015)	Australia	**100**	-
Vizmond Media Pty Ltd (acquired 1 July 2015)	Australia	**100**	-
Marketing Punch Limited (acquired 1 Sep 2015)	England	**100**	-

Marketing Punch Pty Ltd (also acquired 1 Sep 2015) is a wholly owned subsidiary of Marketing Punch Limited (UK)

NOTE 4 – FAIR VALUE MEASUREMENT

The Group has a number of financial instruments which are measured at fair value in the statement of financial position. These had the following fair values as at 31 December 2015.

	Carrying amount	Fair value
Current receivables		
- Trade and other receivables	13,874,886	13,874,886
	13,874,886	**13,874,886**
Current liabilities		
- Trade and other payables	7,946,252	7,946,252
	7,946,252	7,946,252

Due to their short-term nature, the carrying amounts of current receivables and current payables are assumed to approximate their fair value.

NOTE 5: GOODWILL

Goodwill	**31.12.2015**	30.06.2015
	$	$
Goodwill on acquisitions – The Performance Factory	5,223,440	5,223,440
Goodwill on acquisitions – Eggmobi	2,224,549	2,224,549
Goodwill on acquisitions – Vizmond	5,468,714	-
Goodwill on acquisitions – Marketing Punch	8,652,129	-
Accumulated Impairment	-	-
Carrying value at balance date	21,568,832	7,447,989

Impairment testing on carrying amount of goodwill relating to the acquisitions of The Performance Factory Pty Ltd and Eggmobi Pty Ltd:

These acquisitions were carried out in the financial year ending June 2015. For the purposes of the December 2015 Interim Financial report, impairment testing of goodwill is broken down into the following cash generated units which is consistent with business combination calculations.

The Performance Factory (TPF)	5,223,440
Eggmobi (Egg)	2,224,549
Goodwill allocation at 30 June 2015	7,447,989

The recoverable amounts of the cash generating units were determined based on the value-in-use calculations covering a detailed 5 year forecast, followed by an extrapolation of expected cash flows for the units remaining useful lives using the growth rates determined by management. The present value of the expected cash flows of each segment is determined by applying a suitable discount rate.

NOTE 5: GOODWILL (continued)

Impairment testing on carrying amount of goodwill relating to the acquisitions of The Performance Factory Pty Ltd and Eggmobi Pty Ltd (continued):

Management has taken into account the industry growth rates and the relative likely competitive pressures on the sector, and the market growth rates for FY15 against FY14 (TPF revenue growth 110%, Egg revenue growth 457%). The discount rate is based on the WACC for the Company. (11.92%)

Cash flow assumptions

Management's key assumptions for both businesses include, stable margin, increased head count through FY 2016 and FY2017 and strong revenue growth across FY 2016 and FY 2017. While management believes growth will continue across FY 2018 to FY 2020 (given the sectors infancy and increasing adoption rates), management has assumed no growth for FY 2019 and FY 2020.

Management tested a range of sensitives including different discount rates for the impairment testing ranging from 12% to 18%.

Apart from the considerations described in determining the value-in-use of the cash generating units described above, management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

Impairment testing:

Cash Generating unit	Carrying amount of Goodwill	NPV of cash flow	Surplus/(deficit)
The Performance factory	5,223,440	8,192,400	2,968,960
Eggmobi	2,224,549	5,120,224	2,895,675

*applying discount rate of 12%

The Performance Factory: after adjusting for actuals in the model for the first half of the financial year 2016, the NPV of cash flow has increased from $6.53 million (June 2015) to $8.19 million (Dec 2015). For the same period the surplus cash has increased from $1.30 million to $2.97million.

Eggmobi: after adjusting for actuals in the model for the first half of the financial year 2016, the NPV of cash flow has increased from $3.05 million (June 2015) to $5.12 million (Dec 2015). For the same period the surplus cash has increased from $0.83 million to $2.90 million.

NOTE 6: BUSINESS COMBINATIONS

Acquired controlled entities: Vizmond Pty Ltd & Vizmond Media Pty Ltd (Vizmond)

On 1 July 2015, the Company acquired 100% of the issued capital of Vizmond Pty Limited and Vizmond Media Pty Ltd, a digital performance marketing business, for a purchase consideration of $2.5 million plus potential contingent consideration of up to a further $3.5 million (total potential consideration of $6.0 million) over three years and subject to profit before tax targets through to 2018.

Vizmond's proprietary technology powers a vast array of turnkey customer acquisition solutions, which includes data validation and cleansing, custom tracking, in-depth reporting, customized customer profiling and demographic targeting. The valuation of the proprietary platform and Purchase Price Allocation (PPA) is currently being under taken by PPA specialist.

NOTE 6: BUSINESS COMBINATIONS (Continued)

Acquired controlled entities (continued): Vizmond	**Fair Value**
Purchase consideration:	
– cash	2,546,422
– contingent consideration	3,000,000
	5,546,422
Less:	
Receivables (i)	205,513
Inventories	-
Property, plant and equipment	-
Payables	(127,805)
Identifiable assets acquired and liabilities assumed	77,708
Goodwill (ii)	5,468,714
Purchase consideration settled in cash	
Cash outflow on acquisition	2,546,422

(i) The Directors believe the receivables are fully recoverable and no provision for impairment is required.

(ii) The goodwill is attributable to Vizmond's strong position and competitive advantage in the digital performance marketing sector. Provisional fair values are subject to final review by the Directors. The valuation of the proprietary IT platform and Purchase Price Allocation (PPA) is currently being under taken by PPA specialists.

No amount of the goodwill is deductible for tax purposes.

EBITDA and revenue resulting from the acquisition of Vizmond Pty Limited amounting to $0.46 million and $1.06 million respectively are included in the consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2015. These results have been consolidated since the date of the acquisition on 1 July 2015.

Acquired controlled entities: Marketing Punch Limited

On 1 September 2015, the Group acquired 100% of the issued capital of Marketing Punch Limited, a digital performance marketing business, for a purchase consideration of £2.14 million (AUD$4.68 million) as well as the issue of 4 million MBE shares at 26 cents escrowed for a period of 12 months. In addition to the upfront consideration, and subject to achieving 100% of financial targets over the next three years, there will be an additional cash consideration of £1.5 million for each year of successful achievement (£4.5 million (AUD$9.77 million).

Note 6: BUSINESS COMBINATIONS (Continued)

Acquired controlled entities (continued): Marketing Punch Limited

		Fair Value
Purchase consideration:		
–	cash	4,684,425
–	equity issued	1,040,000
–	contingent consideration	2,950,000
		8,674,425
Less:		
Receivables (i)		562,851
Inventories		-
Property, plant and equipment		550,011
Payables		(1,090,566)
Identifiable assets acquired and liabilities assumed		22,296
Goodwill (ii)		8,652,129
Purchase consideration settled in cash		
Cash outflow on acquisition		4,684,425

(i) The Directors believe the receivables are fully recoverable and no provision for impairment is required.

(ii) The goodwill is attributable to Marketing Punch Limited's strong position and competitive advantage in the digital performance marketing sector. Provisional fair values are subject to final review by the Directors. The valuation of the proprietary platform and Purchase Price Allocation (PPA) is currently being under taken by PPA specialists.

No amount of the goodwill is deductible for tax purposes.

EBITDA and revenue resulting from the acquisition of Marketing Punch Limited amounting to $0.77 million and $2.40 million respectively are included in the consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2015.

Had the results relating to Marketing Punch Limited been consolidated from 1 July 2015, consolidated revenue of the consolidated group would have been $28.9 million and consolidated EBITDA of the consolidated group would have been $4.3 million for the half-year ended 31 December 2015.

NOTE 7: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the end of the last annual reporting period.

NOTE 8: EVENTS AFTER THE END OF THE INTERIM PERIOD

The Directors are not aware of any significant events since the end of the reporting period.

Directors' Declaration

The Directors of the company declare that:

1. the financial statements and notes, as set out on pages 6 to 19, are in accordance with the Corporations Act 2001 including:

    a. complying with Australian Accounting Standard AASB134: Interim Financial Reporting; and

    b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date.

2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Chris Thorpe
Director
18th February 2016

MOBILE EMBRACE LIMITED ABN 24 089 805 416
AND CONTROLLED ENTITIES

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

Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of Mobile Embrace Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Half-year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Mobile Embrace Limited's financial position as at 31 December 2015 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 Mobile Embrace 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 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.

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Independence

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

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 Mobile Embrace Limited is not in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of Mobile Embrace Limited's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

(ii) complying with AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

MNSA Pty Ltd

MNSA Pty Ltd

Mark Schiliro
Director

Sydney
Dated this 18th day of February 2016

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