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ASX PRELIMINARY FINAL REPORT

migme Limited

ABN 43 059 457 279

31 December 2016

Lodged with the ASX under Listing Rule 4.3A

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Year ended 31 December 2016
(Previous corresponding period being the year ended 31 December 2015)

Results for announcement to the market

	FY16 $	FY15 $		Change %
Revenue *(Appendix 4E item 2.1)*	21,365,386	12,184,840	Up	75
Loss for the year after tax *(Appendix 4E item 2.2)*	(24,413,626)	(21,043,225)	Up	16
Loss for the period attributable to members *(Appendix 4E item 2.3)*	(24,413,626)	(21,043,225)	Up	16
Dividends *(Appendix 4E item 2.4)*	-	-	-	-
Basic loss per share ($ per share)	(0.08)	(0.08)	-	-
Diluted loss per share ($ per share)	(0.08)	(0.08)	-	-
Net tangible assets per share	(0.002)	0.02	Down	Large

Explanation of revenue *(Appendix 4E item 2.6)*

Revenue for migme Limited was $21,365,386 for 2016 compared to $12,184,840 in 2015 representing growth of 75%. In 2016, the company continued to grow its users base on its key platforms in key target markets and increased the numbers of artists and partners on the platform. In 2016, the company commenced the rollout of its portfolio of games, a key enabler to increase engagement and monetisation.

Explanation of loss for the year after tax *(Appendix 4E item 2.6)*

The main components of the increase in the loss during the year are noted below:

Components of Increase in Loss (including discontinued operations)	Reference	$'000
Increase in negative net revenue (pro-forma)	1	1,508
Write off of intangible assets	2	1,186
Salaries, office expenses and professional fees	3	1,125
Interest and Redemption Premium on Convertible Notes	4	1,015
Decrease in Share Based Payments	5	(1,044)
Other		(420)
Total		**3,370**

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Reference:

1. In aggressively growing our monthly active users (MAU) base, the company increased its revenue share and incentives to artists and partners. These payments are made to incentivise engagement on the company's platform which will lead to an increase in organic engagement of its user base and monetisation thereof. In addition, there were increased losses in our ecommerce business during the year to 31 December 2016. Some of these losses are represented in Shopdeca operations which are being discontinued post 31 December 2016.
2. The company wrote off goodwill on the acquisition of Shopdeca during the course of the year.
3. Increase in general expenses of $1,125K was a combination of legal and advisor fees associated with the acquisition of Hipwee and Shopdeca during the year. In addition, FY16 represents the full year costs associated with the establishment of the company's presence in key target markets, Philippines and India, in late FY15 which supported migme's expansion into those markets.
4. $3.5m of Convertible Notes were issued in December 2015. This cost represents the 10% coupon associated with these notes.
5. Share based payments during the year related to the amortisation of the fair value of employee options, mainly issued in prior years, and stock issues made in relation to the acquisition of Hipwee and Shopdeca.

Explanation of loss for the period attributable to members *(Appendix 4E item 2.6)*

Please refer to the above paragraph and accompanying market announcement.

Explanation of dividends (Appendix 4E item 2.4)

No dividends were declared or paid for the years ended 31 December 2016 and 31 December 2015.

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Preliminary consolidated statement of comprehensive income

For the year ended 31 December 2016

		Consolidated	
		2016	2015
	Note	$	$
Revenue	3	21,365,386	12,184,840
Other operating income		148,470	114,667
Cost of sales	3	(32,550,141)	(21,451,888)
Research and development expenses	3	(3,042,856)	(3,405,355)
Administrative expenses	3	(7,109,439)	(8,129,561)
Other expenses	3	(303,878)	(333,218)
Finance costs	3	(930,958)	(19,972)
Loss from continuing operations before tax		**(22,423,416)**	(21,040,487)
Income tax expense		**(6,233)**	(2,738)
Loss from continuing operations after tax		**(22,429,649)**	(21,043,225)
Loss from discontinued operations after tax	5	(1,983,977)	-
Total loss from operations after tax		**(24,413,626)**	(21,043,225)
Other comprehensive income			
Items that will never be reclassified to profit or loss		**-**	-
Items that are or may be reclassified to profit or loss			
Foreign currency translation		**(753,252)**	(33,202)
Other comprehensive income, net of tax		**(753,252)**	(33,202)
Total comprehensive loss		**(25,166,878)**	(21,076,427)
Loss attributable to owners of the Group		**(25,166,878)**	(21,076,427)
Total comprehensive loss attributable to owners of the Group		**(25,166,878)**	(21,076,427)
Earnings/(loss) per share (cents per share)			
Basic earnings/(loss) per share	20	(0.08)	(0.08)
Diluted earnings/(loss) per share	20	(0.08)	(0.08)

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

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Preliminary consolidated statement of financial position

As at 31 December 2016

	Note	Consolidated 2016 $	Consolidated (Restated) 2015 $
ASSETS			
Current assets			
Cash and cash equivalents	6	283,134	8,658,446
Prepayments		2,184,298	251,432
Inventories	7	7,226	100,363
Income tax receivable		7,609	9,709
Trade and other receivables	8	354,778	399,451
Assets held for disposal	5	343,507	-
Total current assets		**3,180,552**	**9,419,401**
Non-current assets			
Leasehold improvements and equipment	9	506,613	582,761
Goodwill	23	643,122	325,875
Other non-current assets	10	136,046	168,189
Total non-current assets		**1,285,781**	**1,076,825**
Total assets		**4,466,333**	**10,496,226**
LIABILITIES			
Current liabilities			
Trade and other payables	11	1,970,309	1,693,669
Provisions	12	209,252	209,016
Deferred revenue	13	47,071	318,456
Contingent consideration	14	-	710,302
Convertible notes designated at fair value through profit and loss	15	895,265	-
Convertible notes	15	1,166,523	350,000
Liabilities held for disposal	5	430,917	-
Total current liabilities		**4,719,337**	**3,281,443**
Non-current liabilities			
Convertible notes	15	-	2,190,668
Convertible notes – derivative financial liability	15	-	851,773
Total non-current liabilities		**-**	**3,042,441**
Total liabilities		**4,719,337**	**6,323,884**
Net assets		**(253,003)**	**4,172,342**
EQUITY			
Contributed equity	16	114,714,845	95,272,002
Reserves	17	11,708,464	11,163,026
Accumulated losses	19	(126,676,312)	**(102,262,686)**
Total equity		**(253,003)**	**4,172,342**

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

* Certain amounts shown here do not correspond to the 2015 financial statements and reflect adjustments made (refer note 1).

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Preliminary consolidated statement of changes in equity

As at 31 December 2016

	Contributed equity $	Share based payment reserves $	Foreign Currency Translation Reserve	Convertible note equity reserve	Accumulated losses $	Total $
Balance as at 1 January 2016	95,272,002	7,685,899	3,477,127	202,353	(102,250,217)	**4,387,164**
Restatement of comparatives (note 1)	-	-	-	(202,353)	(12,469)	**(214,822)**
Restated as at 1 January 2016*	95,272,002	7,685,899	3,477,127	-	(102,262,686)	**4,172,342**
Comprehensive income						
Loss for the year	-	-	-	-	(24,413,626)	(24,413,626)
Foreign currency translation movement	-	-	(753,252)	-	-	(753,252)
Total comprehensive loss for the year	**-**	**-**	**(753,252)**	**-**	**(24,413,626)**	**(25,166,878)**
Transactions with owners of the Group						
Recognition of share based payments	-	1,280,520	-	-	-	1,280,520
Issue of options for Hipwee acquisition	-	18,170	-	-	-	18,170
Issue of share capital	20,256,251	-	-	-	-	20,256,251
Capital raising costs	(813,408)	-	-	-	-	(813,408)
Balance as at 31 December 2016	114,714,845	8,984,589	2,723,875	-	(126,676,312)	(253,003)

* Certain amounts shown here do not correspond to the 2015 financial statements and reflect adjustments made (refer note 1).

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Preliminary consolidated statement of changes in equity (cont.)

As at 31 December 2015

	Issued capital $	Share based payment reserves $	Foreign Currency Translation Reserve	Convertible note equity reserve	Accumulated losses $	Total $
Balance as at 1 January 2015	**78,592,668**	**4,696,665**	**3,510,329**	**-**	**(81,206,992)**	**5,592,670**
Comprehensive income						
Loss for the year	-	-			(21,043,225)	**(21,043,225)**
Foreign currency translation movement	-		(33,202)		-	**(33,202)**
Total comprehensive loss for the year	**-**		**(33,202)**	**-**	**(21,043,225)**	**(21,076,427)**
Transactions with owners of the Group						
Recognition of share based payments		2,989,234				**2,989,234**
Convertible notes – equity component				202,353		**202,353**
Issue of share capital (note 12)	16,679,334					**16,679,334**
Balance as at 31 December 2015	**95,272,002**	**7,685,899**	**3,477,127**	**202,353**	**(102,250,217)**	**4,387,164**
Restatement of comparatives (note 1)	-	-	-	(202,353)	(12,469)	**(214,822)**
Restated as at 31 December 2015	**95,272,002**	**7,685,899**	**3,477,127**	-	**(102,262,686)**	**4,172,342**

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Preliminary consolidated statement of cash flows

For the year ended 31 December 2016

	Note	Consolidated 2016 $	Consolidated 2015 $
Cash flows from operating activities			
Receipts from customers		**23,799,534**	12,436,021
Payments to suppliers and employees		(44,443,836)	(29,500,799)
Income taxes paid		-	(10,419)
Net cash used in operating activities	6(b)	**(20,644,302)**	**(17,075,197)**
Cash flows from investing activities			
Acquisition of leasehold improvement and equipment		(289,275)	(328,039)
Cash from acquisition of subsidiaries	22	38,352	23,264
Payment for acquisition businesses		(1,096,442)	
Repayment of convertible note		(2,466,300)	-
Other investments		-	387,996
Net cash from investing activities		**(3,813,664)**	**83,221**
Cash flows from financing activities			
Proceeds from issue of convertible notes	15	809,148	3,500,000
Proceeds from issue of shares		17,015,125	17,110,000
Payment for capital raising costs		(953,410)	(1,103,382)
Payment of convertible note interest		(563,564)	-
Proceeds from exercise of share options	16	69,542	139,407
Net cash from financing activities		**16,376,841**	**19,646,025**
Net increase in cash and cash equivalents		**(8,081,125)**	**2,654,049**
Cash and cash equivalents at the beginning of the year		8,658,446	5,926,090
Effect of movements in exchange rates on cash held		(202,174)	78,307
Cash and cash equivalents at the end of the year (inclusive of discontinued operations)		**375,147**	**8,658,446**
Less Cash from discontinued operations	6(a)	(92,013)	**-**
Cash and cash equivalents at the end of the year		**283,134**	**8,658,446**

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

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Supplementary Appendix 4E information

1. Corporate Information

migme Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The consolidated financial statements of migme Limited as at and for the year ended 31 December 2016 comprise the financial statements of migme Limited and its subsidiaries (the Group) (as outlined in note 21).

migme Limited is a global digital media company focused on emerging markets. Social entertainment services are delivered through mobile apps migme and LoveByte, artist management website alivenotdead and ecommerce services through Sold.

2. Restatement of comparative information

The comparative information in the consolidated statement of financial position has been restated due to the reclassification of amount held in the convertible note reserve to a derivative financial liability. This adjustment was made for the derivative financial liability embedded in the convertible notes issued on 17 December 2015, to ensure compliance with Australian Accounting Standards.

The restatement adjustments for each of the affected 31 December 2015 financial statements line items for the period year end are as follows:

	31 December 2015 – Restated $	31 December 2015 – previously stated $
Liability		
Convertible notes	2,540,668	3,177,619
Convertible notes – derivative financial liability	851,773	-
Total	**3,392,441**	**3,177,619**
Equity		
Convertible note reserve	-	202,353
Retained earnings	(102,262,686)	(102,250,217)

The adjustment to retained earnings is a result of unwinding interest of $12,469. The restatements did not impact the income statement and other comprehensive income for the current period.

3. Revenue and expenses

Cost of sales
Our cost of sales consists primarily of expenses associated with the delivery and distribution of our products. These include expenses related to the operation of our data centres, energy and bandwidth costs, salaries, benefits, and share-based compensation for employees on our operations teams. Cost of sales also includes costs associated with revenue share arrangements with our partners, marketing costs and cost of products sold.

Research and development

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Research and development expenses consist primarily of share-based compensation, salaries and benefits for employees on our engineering and technical teams who are responsible for building new products as well as improving existing products. We expense all research and development costs as they are incurred.

Administrative expenses

Our administrative expenses consist primarily of salaries, benefits and share-based compensation for certain of our executives as well as our finance, human resources and other administrative employees. In addition, administrative expenses include professional and legal services, occupancy costs, travel costs and depreciation and amortisation of leasehold improvements and equipment.

	Consolidated	
	2016	**2015**
	$	**$**
Revenue		
Sale of virtual and physical goods and games	**21,365,386**	12,184,840
Cost of Sales		
Infrastructure, revenue share and cost of products expenses	**(23,872,407)**	(13,043,421)
Employee benefits expense excluding share based payment expense	**(5,697,586)**	(5,540,565)
Share based payment expense	**(1,171,829)**	(1,863,930)
Marketing expenses	**(1,808,319)**	(787,806)
Research and development expenses		
Employee benefits expense excluding share based payment expense	**(2,920,393)**	(3,220,072)
Share based payment expense	**(122,463)**	(185,283)
Administrative expenses		
Employee benefits expense excluding share based payment expense	**(1,648,125)**	(1,682,045)
Share based payment expense	**(650,576)**	(2,016,146)
Other administration expenses (occupancy, professional fees, travel, and general administrative expenses)	**(4,436,389)**	(4,158,392)
Depreciation and amortisation	**(374,349)**	(272,978)
Other expenses		
Unrealised and realised foreign exchange gains/(losses)	**48,716**	30,068
Fair value adjustment on derivative liability of convertible note	**(266,477)**	(27,921)
Fair value adjustment on convertible note designated at fair value through profit and loss	**(86,117)**	-
Goodwill impairment	**-**	(335,366)
Finance costs		
Interest expense on convertible note	**(235,058)**	(19,972)
Unwinding of interest expense on convertible note liability	**(242,322)**	-
Early redemption premium	**(453,578)**	-

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4. Segment Reporting *(Appendix 4E item 14.4)*

a) Basis for segmentation

The operating segments presented reflect the manner in which the operations and performance of the Group is reviewed and managed internally. The financial information is reported to the chief operating decision maker, the CEO.

b) Information about geographical regions

There are two geographic regions for the reportable segment as follows:

Reportable Segments	Operations
South Asia	Represents operations in Indonesia, Singapore, Malaysia, India, Nepal, Hong Kong and Philippines.
Others	Represents operations in countries not specified above.

31 December 2016	South Asia $	All Other Regions $	Total $
Total Revenue	21,365,386	-	**21,365,386**
Total Non-Current Assets	1,086,801	198,980	**1,285,781**

31 December 2015	South Asia $	All Other Segments $	Total $
Total Revenue	12,184,840	-	**12,184,840**
Total Non-Current Assets	890,119	186,706	**1,076,825**

Information by geographical location (by country) was unable to be determined as the information is not available and the costs to develop it would be excessive.

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5. Discontinued Operations

On 4 January 2017, the Board agreed to discontinue the Shopdeca business, which is operating under PT Global Shopdeca. The terms of discontinuation have been agreed and the sale is expected to be completed by 31 March 2017. At 31 December 2016, Shopdeca has been classified as held for disposal. The results of Shopdeca for the year are presented below:

a) Analysis of the loss for the year from discontinued operations

	2016 $
Revenue	2,692,701
Expenses	(3,154,816)
Operating income	**(462,115)**
Finance income	1
Impairment loss recognised on the re-measurement to fair value less costs to dispose	(1,521,863)
Loss before tax from discontinued operations	**(1,983,977)**
Tax benefit:	
Related to current pre-tax loss	-
Related to re-measurement to fair value less costs to dispose (deferred tax)	-
Loss for the year from discontinued operations	**(1,983,977)**

b) Net assets classified as held for disposal from discontinued operations

	2016 $
Assets	
Cash and cash equivalents	92,013
Prepayments	5,800
Inventories	173,399
Income tax receivable	1,817
Trade and other receivables	39,611
Leasehold improvements and equipment	13,739
Other non-current assets	17,128
Assets classified as held for sale	**343,507**
Liabilities	
Trade and other payables	376,279
Deferred revenue (deferred tax)	54,638
Liabilities held for sale	430,917
Net assets classified as held for sale	**(87,410)**

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6. Cash and Cash Equivalents

a) Reconciliation of cash

	Consolidated	
	2016	**2015**
	$	**$**
Cash at bank and on hand	192,943	8,375,333
Cash at financial institutions	90,191	283,113
Total	**283,134**	**8,658,446**

Cash at bank and on hand earns interest at floating rates based on daily bank deposit rates.

b) Reconciliation of loss after tax to net cash flows from operating activities

	Consolidated	
	2016	**2015**
	$	**$**
Reconciliation of loss after tax to net cash flows from operating activities		
Net loss before tax from continuing operations	**(22,429,649)**	**(21,040,487)**
Loss from discontinued operations	(1,983,977)	**-**
Net loss before tax	**(24,413,626)**	**(21,040,487)**
Adjustments for non-cash income and expense items:		
Depreciation and amortisation	381,651	272,978
Share based payments	1,791,457	2,989,234
Goodwill write off on acquisition	1,521,861	335,366
Impairment of investments	-	27,921
Write off of bad debts	-	172,375
Provision for impairment loss	266,477	-
Unrealised exchange (gain)/losses	(517,283)	(286,837)
Fair value adjustments on convertible notes	(393,489)	-
Interest expense	1,017,075	-
Changes in net assets and liabilities:		
(Increase)/decrease in prepayments	(880,247)	(35,403)
(Increase)/decrease in inventories	23,258	(100,363)
(Increase)/decrease other non-current assets	15,014	(23,464)
Increase/(decrease) in trade and other payables	760,516	341,802
Increase/(decrease) in provisions	(236)	27,538
Increase/(decrease) in current and deferred tax liability	294	-
Increase/(decrease) in deferred revenue	(212,513)	246,881
Income tax paid	(4,511)	(2,738)
Net cash flow used in operating activities	**(20,644,302)**	**(17,075,197)**

Non cash financing and investing activities

The following were non cash financing and investing activities:

- Shares issued for the acquisition of PT Hipwee Media Solutions are disclosed in note 22; and

- Shares issued for the acquisition of LoveBytes Pte Ltd and the assets of sold.sg are disclosed in note 16.

7. Inventories

	Consolidated	
	2016	**2015**
	$	**$**
Merchandise held for sale	**7,226**	**100,363**

8. Trade and Other Receivables

	Consolidated	
	2016	**2015**
	$	**$**
Trade Receivables	137,509	21,580
Other receivables	217,269	377,871
Total	**354,778**	**399,451**

Other receivables are non-interest bearing and generally on 30-60 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. As at 31 December 2016, no amounts are impaired or past due.

9. Leasehold Improvements and Equipment

	Leasehold improvements	**Office & computer equipment**	**Furniture, fixtures and fittings**	**Total**
	$	**$**	**$**	**$**
Gross carrying amount				
Balance at 1 January 2016	157,355	834,119	86,145	**1,077,619**
Additions	181,634	150,172	7,054	**338,860**
Assets written off	(3,932)	(339)	(2,321)	**(6,592)**
Effect of exchange rate	5,440	2,005	(5,070)	**2,375**
Balance at 31 December 2016	**340,497**	**985,957**	**85,808**	**1,412,262**
Less discontinued operations				
Depreciation and amortisation				
Balance at 1 January 2016	(106,614)	(339,317)	(48,927)	**(494,858)**
Assets written off	2,321	916	2,027	**5,264**
Depreciation and amortisation expense	(81,313)	(314,458)	(12,425)	**(408,196)**
Effect of exchange rate	(485)	5,228	1,137	**5,880**
Balance at 31 December 2016	**(186,091)**	**(647,631)**	**(58,188)**	**(891,910)**
Carrying amount at 31 December 2016	**154,406**	**338,326**	**27,620**	**520,352**
Assets from Discontinued Operations				13,739

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Carrying amount from continued operations at 31 December 2016				**506,613**

Gross carrying amount				
Balance at 1 January 2015	170,150	718,677	74,011	**962,838**
Additions	13,263	297,968	16,808	**328,039**
Assets written off	(31,221)	(190,583)	(5,924)	**(227,728)**
Effect of exchange rate	5,163	8,057	1,250	**14,470**
Balance at 31 December 2015	**157,355**	**834,119**	**86,145**	**1,077,619**
Depreciation and amortisation				
Balance at 1 January 2015	(85,486)	(333,676)	(42,090)	**(461,252)**
Assets written off	31,221	190,583	5,924	**227,728**
Depreciation and amortisation expense	(56,508)	(213,298)	(3,172)	**(272,978)**
Effect of exchange rate	4,159	17,074	(9,589)	**11,644**
Balance at 31 December 2015	**(106,614)**	**(339,317)**	**(48,927)**	**(494,858)**
Carrying amount at 31 December 2015	**50,741**	**494,802**	**37,218**	**582,761**

10. Other Non-Current Assets

	Consolidated	
	2016	**2015**
	$	**$**
Deposits for operating related expenses	136,046	157,481
Available for sale securities – Tier 1	-	10,708
Total	**136,046**	**168,189**

Available for sale securities are carried at fair value and are regarded as Tier 1 assets for valuation purposes.

11. Trade and Other Payables

	Consolidated	
	2016	**2015**
	$	**$**
Trade payables and accrued expenses	1,970,309	1,693,669

Trade payables are non-interest bearing and are normally settled on 30-60 day terms.

12. Provisions

	Consolidated	
	2016	**2015**
	$	**$**
Employee benefits – annual leave	209,252	209,016

13. Deferred Revenue

Revenue is recognised upon completion of delivery of the virtual and physical products and games to the customers. Revenue is measured at the fair value of the consideration received or receivable. Deferred revenue balance represents virtual and physical products and games not yet utilised by/fulfilled to the customers.

	Consolidated	
	2016	2015
	$	$
Deferred revenue - sale of virtual credits, virtual games and physical products	47,071	318,456

14. Contingent Consideration

There is no deferred consideration balance as at 31 December 2016.

Deferred consideration balance as at 31 December 2015 consisted of the following:

a) Fair value of 725,186 migme shares to be issued valued at $641,790 for the acquisition of PT Hipwee Media Solutions; and
b) Deferred cash consideration amounting to $68,512 for the acquisition of LoveBytes Pte Ltd on 16 October 2014.

15. Convertible Notes

	Consolidated	
	2016	2015 (Restated)
	$	$
Convertible notes designated as fair value through profit and loss (ii)	895,265	-
Convertible notes (i)	1,166,523	2,540,668
Convertible notes – derivative financial liability (i)	-	851,773
	2,061,788	**3,392,441**

(i) On 17 December 2015, the Group issued convertible notes to various bond holders at $1.10 per share conversion ratio and raised a total of $3,500,000 on terms favourable to the Group. The terms and conditions of the notes are follows:

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Description	Key Terms
Principal	$3,500,000
Coupon rate	The coupon rate is 10% per annum, payable quarterly in arrears.
Maturity	The notes mature on 16 December 2017. On the maturity date, the Group is obliged to redeem the convertible notes that have not yet been converted into ordinary shares by the holder or redeemed by the issuer prior to the maturity date for cash.
Conversion feature	The convertible notes are convertible by the holder into the Group shares at any time after 6 months has elapsed from the issue date and ending on the maturity date at a conversion price of $1.10 per share, subject to the resetting mechanism below.
Resetting mechanism (resetting feature)	If the Group raises additional equity, excluding the issue of future employee shares, or the issue of shares on exercise of existing options, at a price lower than $1.10 per share, the number of shares will then reset to that equity issue price ('the resetting feature').
Early redemption	The note holders have the right to redeem the convertible notes prior to maturity date for cash at a 10% premium over the face value of the convertible notes, if any of the following events occurs within the 24 months to 16 December 2017: - The Company issuing any debt or entering into any arrangement to issue or take on secured debt that would rank in priority higher than the Note without the prior written consent of the majority of note holders by percentage held, approval for which can't be reasonably withheld; or - The Company entering into a contract for the sale of a significant asset of assets of the Company representing more than 10% of the market capitalisation of the company without the prior written consent of the majority of Noteholders by percentage held; or - A director of the Company sells shares held by that director which have a cumulative total value of more than 5% of the shares outstanding of the Company as at the Issue Date, without the prior written consent of the majority of Note holders by percentage held; or - If the volume-weighted market capitalisation of the Company falls below $150 million for more than 90 days, giving 30 days' notice.

The conversion feature represents a derivative liability and was recognised at fair value of $851,773 at 31 December 2015 and subsequently re-measured at fair value, which was $1,118,250 as at 30 June 2016, resulting in a loss on fair value re-measurement of $266,477. The loss on fair value re-measurement was recognised in 2016.The host debt contract was recognised at the residual value of $2,540,668 at 31 December 2015 and is subsequently measured at amortised cost which was $2,785,305 as at 30 June 2016. The effective interest rate on the convertible notes is considered to be 22%.

On 12 September 2016, the Group announced to the public that the convertible notes will be redeemed. At 31 December 2016 redeemed convertible notes payable are $1,166,523 (Refer Convertible Notes (i) above.

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(ii) On 6 December 2016, the Group issued convertible notes to the value of $809,148 (US$600,000) that will be convertible at $0.20 per share. This instrument has been designated at fair value through profit and loss. The key terms and conditions of the convertible notes are as follows:

Description	Key Terms
Principal	US$ 600,000
Coupon rate	The coupon rate is 10% per annum.
Interest Payment	Single Interest Payment on Redemption or Conversion, at a rate of 10% per annum of the Face Value of the Note.
Maturity	The convertible notes expire on 31 December 2017. On the maturity date, the Group is obliged to redeem the convertible notes that have not yet been converted into ordinary shares by the holder or redeemed by the issuer prior to the maturity date for cash.
Conversion feature	The convertible notes are convertible by the holder into migme shares at any time from after 3 months has elapsed from the issue date. The conversion price, which is calculated in Australian dollars, is as follows: (a) a 15% discount to the volume weighted average market price for Shares calculated over the 15 trading days on which trades in Shares were recorded on the ASX immediately before the date of this Deed; and (b) notwithstanding the above, the Conversion Price will be a minimum of $0.20 per Ordinary Share. The number of Ordinary Shares to be issued for the Note (Conversion Number) is calculated in accordance with the following formula: Conversion Number = Face Value / Conversion Price If Face Value is in a currency other than Australian dollars, then it is to be converted to Australian dollars at the applicable conversion rate published on the Reserve Bank of Australia website at 9.00am (Sydney time) on the date of Conversion. If no such rate is published, the conversion rate will be determined by the Company in good faith and acting reasonably.
Redemption Amount	After 90 days from the issue date of the Note, a note holder may give the Company notice of Redemption of its Notes. In that case, the redemption amount is the Face Value plus a premium of 15% to the Face Value and any accrued interest
Free Attaching Option	Upon conversion, for every ordinary share the Company will grant one free option to acquire an additional ordinary share at no additional issue price. Each option granted is exercisable at $0.01 per share and will expire on 31 December 2017.
Effective date	6 December 2016

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16. Contributed Equity

a) Reconciliation of Contributed Equity

During the year ended 31 December 2016, the following shares were issued:

- Shares issued for the acquisition of PT Hipwee Media Solutions on 20 January 2016: 725,186 shares issued at $0.885 per share;
- Share placement completed on 10 March 2016: 11,650,000 shares issued at $0.60 per share;
- Shares issued for the acquisition of PT Shopdeca Global on 12 April 2016: 884,270 shares issued at $0.74 per share;
- Shares issued in relation to a consulting agreement on 12 April 2016: 920,717 shares issued at $0.72 per share;
- Share placement completed on 30 June 2016: 5,045,069 shares issued at $0.40 per share.
- 20,519,810 shares issued and allotted on 19 August 2016 at $0.40 per share; and
- 2,925,470 shares issued in relation to a partnership and service agreement on 19 August 2016 at $0.40 per share.

	31 December 2016 $	31 December 2015 $
Issued capital	114,714,845	95,272,002

Issued shares

	Number of Shares	$
At 1 January 2015	**251,632,014**	**78,592,668**
Issuance of shares – LoveBytes acquisition	757,939	275,016
Issuance of shares – sold.sg acquisition	363,919	243,902
Issuance of shares – capital raising	20,557,761	17,110,000
Options exercised (i)	-	149,205
Capital raising costs	-	(1,098,789)
At 31 December 2015	**273,311,633**	**95,272,002**
Issuance of shares – PT Hipwee Media Solutions acquisition	725,186	641,790
Issuance of shares – PT Shopdeca Global acquisition	884,270	657,054
Issuance of shares to Ecommerce Director	920,717	664,055
Issuance of shares – capital raising	37,214,879	17,015,126
Issuance of share – Mox Service Agreement	2,925,470	1,170,188
Issuance of shares – corporate services	170,735	38,500
Options exercised (i)	-	69,540
Capital raising costs	-	(813,408)
At 31 December 2016	**316,152,890**	**114,714,845**

(i) On the exercise of these options, shares were issued from the Employee Share Trust.

17. Reserves

	2016 $	Restated 2015 $
Share options (a)	6,685,966	5,877,297
Share equity (b)	1,996,953	1,506,641
Share warrants (c)	301,961	301,961
Foreign currency translation reserve	2,723,584	3,477,127
Total	**11,708,464**	**11,163,026**
(a) Share options reserve		
Opening Balance 1 January	5,877,297	3,868,687
Options issued during the year	808,669	2,008,610
Closing Balance at 31 December	**6,685,966**	**5,877,297**
(b) Share equity reserve		
Opening Balance 1 January	1,506,641	526,017
Shares issued during the year	490,312	980,624
Closing Balance at 31 December	**1,996,953**	**1,506,641**
(c) Share warrants reserve		
Opening Balance 1 January	301,961	301,961
Closing Balance at 31 December	**301,961**	**301,961**

Nature and purpose of reserves

Share options
The reserve is used to recognise the fair value of equity-settled share-based payments being options granted to employees, including key management personnel, as part of their remuneration.

Share equity
The reserve is used to recognise the fair value of equity-settled share-based payments being shares issued to employees, including key management personnel, as part of their remuneration.

Share warrants
The reserve is used to recognise the fair value of equity-settled share-based payments being warrants granted to employees, including key management personnel, as part of their remuneration.

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18. Share-based Payments

The recognised expense arising from equity settled share-based payment plans totalled $3,115,056 for the year ended 31 December 2016.

Measurement of fair values

The fair value of the share options at grant date are determined using a Black Scholes pricing method that takes into account the exercise price, the term of the option, the probability of exercise, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Valuation of 200,000 share options granted on 1 January 2016

The following table lists the inputs to the model used for valuation of the unlisted options:

Item	Inputs
Volatility (%) (see below)	63.14%
Risk-free interest rate (%) – range	2.24%
Expected life of option (years)	4.08
Exercise price per terms & conditions	$1.20
Underlying security spot price	$0.885
Valuation date	1 January 2016
Expiry date	31 January 2020
Valuation per option	$0.3712

Valuation of 50,000 share options granted on 30 March 2016

The following table lists the inputs to the model used for valuation of the unlisted options:

Item	Inputs
Volatility (%) (see below)	89.32%%
Risk-free interest rate (%) – range	1.9%
Expected life of option (years)	1.84
Exercise price per terms & conditions	$0.647
Underlying security spot price	$0.73
Valuation date	30 March 2016
Expiry date	31 January 2018
Valuation per option	$0.3634

Summary of options issued

The Company has the following 17,268,161 unquoted options to acquire unissued ordinary shares on issue:

- 7,500,000 options each exercisable at $0.20 and expiring 31 July 2017;
- 1,653,832 options each exercisable at $0.20 and expiring 15 October 2019;
- 399,947 options each exercisable at $0.363 and expiring 15 October 2019;
- 600,000 options each exercisable at $0.40 and expiring 30 November 2019;
- 2,243,506 options each exercisable at $0.70 and expiring 31 December 2018;
- 875,000 options each exercisable at $0.70 and expiring 31 December 2018

- 1,245,876 options each exercisable at $1.20 and expiring 31 July 2019; and
- 2,750,000 options each exercisable at $1.20 and expiring 31 July 2019.

The following table sets out details of those outstanding unquoted options over unissued ordinary shares and their weighted average exercise price ('WAEP').

	31 December 2016		31 December 2015	
	Number	**WAEP**	**Number**	**WAEP**
Balance at the beginning of the year	**19,444,697**	**$0.28**	**18,083,887**	**$0.28**
Granted during the year	-	-	5,897,584	$1.05
Forfeited during the year	(2,008,109)	$0.65	(4,165,107)	$0.21
Exercised during the year	(168,427)	$0.20	(371,667)	$0.20
Outstanding at the end of the year	**17,268,161**	**$0.24**	**19,444,697**	**$0.53**
Exercisable at the end of the year	**13,814,888**		**6,904,754**	

The weighted average life of the outstanding number options as at 31 December 2016 is 1.54 years.

19. Accumulated Losses *(Appendix 4E item 6)*

	Consolidated	
	2016 $	**2015 $**
Balance at beginning of year	(102,262,686)	(81,206,992)
Loss for the year	(24,413,626)	(21,055,694)
Balance at end of year	**(126,676,312)**	**(102,262,686)**

20. Net tangible asset backing *(Appendix 4E item 9)*

	2016 $	**2015 $**
Net tangible asset backing per ordinary share	(0.002)	0.02

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21. Earnings per share *(Appendix 4E item 14.1)*

Basic earnings/(loss) per share is calculated as net profit/(loss) attributable to members of the parent divided by the weighted average number of ordinary shares during the financial year.

Diluted earnings/(loss) per share is calculated as above with an adjustment for the weighted number of ordinary shares that would be issued on conversion of all dilutive ordinary shares.

Basic and dilutive earnings/(loss) per share are calculated as follows:

	Consolidated	
	2016	**2015**
	$	**$**
Profit/(loss) attributable to members of the Group	(24,413,626)	(21,043,225)
	Shares	**Shares**
Weighted average number of ordinary shares for basic earnings per share	295,926,430	262,699,224
Effect of dilution	-	-
Weighted number of ordinary shares adjusted for dilution	295,926,430	262,699,224
	$	**$**
Earnings/(loss) per share:		
Basic loss per share for the year attributable to ordinary members of the parent	(0.08)	(0.08)
Diluted loss per share for the year attributable to ordinary members of the parent	(0.08)	(0.08)

22. Subsidiaries

The consolidated financial statements include the financial statements of migme Limited as the ultimate legal parent and the subsidiaries listed in the following table:

			Equity Interest	
Name of Subsidiary	**Country of incorporation**	**Functional currency**	**31 December 2016**	**31 December 2015**
M3H Pte Ltd	Singapore	SGD	100%	100%
migme Pte Ltd	Singapore	SGD	100%	100%
Migme Taiwan Ltd	Taiwan	TWD	100%	100%
Project Goth, Inc.	USA	USD	100%	100%
Project Goth Sdn Bhd	Malaysia	MYR	100%	100%
New Sense Enterprises Ltd	Hong Kong	HKD	100%	100%
Project Goth India Pvt Ltd	India	INR	100%	100%
Eva Advisors Pty Ltd	South Africa	ZAR	100%	100%
Project Goth Pty Ltd	Australia	AUD	100%	100%

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The consolidated financial statements include the financial statements of PT Hipwee Media Solutions and PT Global Shopdeca which were acquired on 31 December 2015 and on 31 March 2016 respectively. The Group does not own any equity interest in PT Hipwee Media Solutions and PT Global Shopdeca, however, the Group has satisfied the control tests in accordance to AASB 10 which enables the Group to consolidate the financial statements of PT Hipwee Media Solutions and PT Global Shopdeca.

23. Business Combination

PT Shopdeca Global Acquisition

On 31 March 2016, the Group completed the acquisition of an Indonesian ecommerce business ("PT Shopdeca Global"). The Group does not own equity interest in PT Shopdeca Global, however, the Group has assessed and determined that it has met the 'control' criteria in accordance with AASB 10. Hence the Group has consolidated the financial statements of PT Shopdeca Global. PT Shopdeca Global is an ecommerce company based in Indonesia.

Provisional goodwill arising from the acquisition has been recognised as follows:

	$
Cash paid	933,464
Shares issued	657,054
Consideration transferred	**1,590,518**
Less: provisional fair value of identifiable assets acquired	(68,655)
Provisional goodwill arising on acquisition	**1,521,863**
Write off of goodwill	(1,521,863)
Carrying value at 31 December 2016	**-**

The cash consideration was funded through the cash reserves of the Group.

The goodwill of $1,521,863 comprises the value of trademarks and domains, which has not been separately identified. Subsequent to the acquisition, the management did not foresee that the total amount is recoverable as at 31 December 2016 due to on-going uncertainty of the Shopdeca business. As a result, management has impaired the entire amount as at year ending 31 December 2016.

The provisional fair value of identifiable assets acquired and liabilities assumed at acquisition date were as follows:

	$
Assets	
Cash and cash equivalents	38,352
Inventories	103,719
Other assets	48,541
Leasehold improvements and equipment	14,539
Total assets	**205,151**
Liabilities	
Trade and other payables	134,370
Deferred revenue	2,125
Total liabilities	**136,495**

Provisional fair value of identifiable net assets acquired	**68,656**

Purchase consideration – the outflow of cash to acquire the business, net of cash acquired:

	$
Purchase consideration paid	933,464
Less: cash acquired	(38,252)
Net outflow of cash	**895,212**

The Group issued 884,270 ordinary shares and paid $933,464 as total consideration for the acquisition. At acquisition date, the fair value of the shares were calculated at $0.743 per share and the fair value of the consideration given was therefore $657,054.

The acquired business contributed revenues of $1,123,685 and net loss after tax of $121,910 to the Group for the period from acquisition to 31 December 2016.

If the acquisition had occurred on 1 January 2016, Group revenues would have been $15,391,838 and net loss after tax would have been $12,568,947 (including costs in relation to acquisition of $162,978 after tax).

Direct costs relating to the acquisition totalling $162,978 have been recognised as operating expenses in the profit and loss for the year ended 31 December 2016.

Acquisition in 2015 – PT Hipwee Media Solutions

In 2015, the Group completed the acquisition of PT Hipwee Media Solutions, an Indonesian social news site. The Group does not own equity interest in PT Hipwee Media Solutions, however, the Group has assessed and determined that it has met the 'control' criteria in accordance with AASB 10. Hence, the Group has consolidated the financial statements of PT Hipwee Media Solutions.

Goodwill arising from the acquisition has been recognised as follows:

	$
Shares issued	641,790
Options granted	18,170
Total consideration paid	**659,960**
Less: fair value of identifiable assets acquired	(16,838)
Goodwill arising on acquisition	**643,122**

As part of the purchase agreement and in addition to the consideration paid as at 31 December 2015, options were granted to acquire 50,000 migme Limited shares at an exercise price determined based on 90 days VWAP post-completion. For the year ended 31 December 2016, the options granted of $18,170 represents the fair value at acquisition date.

24. Other Significant Information

There is no other significant information that has not been reported in this Appendix 4E and/or in prior market announcements.

25. Audit Status (Appendix 4E item 15)

This report is based on accounts which are in the process of being audited.

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26. Commentary of Results (Appendix 4E item 14)

Please refer to the explanation of loss after tax appearing on page 2 and the accompanying market announcement.

27. Significant features of operating performance (Appendix 4E item 14.3)

Please refer to the explanation of loss after tax appearing on page 2 and the accompanying market announcement.

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