

XTV NETWORKS LIMITED
ABN 16 124 251 396

Interim Financial Report for the half-year ended
31 December 2017

XTV Networks Limited
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DIRECTORS' REPORT

Your Directors submit the financial report of the Company for the half-year ended 31 December 2017.

Directors

The names of Directors who held office during or since the end of the interim period ended 31 December 2017 and until the date of this report are noted below. Directors were in office for this entire period unless otherwise stated.

Mr Winton Willesee (Chairman)
Ms Erlyn Dale (non-executive director)
Mr Harry Hill (non-executive director)

Review of Operations

Following the completion of the reverse acquisition transaction and name change to xTV Networks Limited, the Company focused on developing and commercialising its technology which was designed to enable organisations to build and control the messaging and content within their own enterprise media networks by organising video, social media and breaking news into a real-time TV experience.

xTV's technology was designed to allow businesses to set up dedicated multi-channel online networks that integrate branded video and user-generated content with other real-time feeds. xTV's cloud-based TV applications services platform was designed to be interactive and work across a multitude of devices and browsers designed to increase viewership of video content.

To further fund its operations, in March 2016 the Company entered into an agreement with East West Bank for the provision of a secured US\$3.0 million debt facility, and in May 2016 the Company entered into a further debt facility for the provision of up to US\$10.0 mill with Bergen Global Opportunity Fund LP.

In April 2016 the Company made an announcement to ASX in relation to a material Letter of Intent in relation to the commercialisation of its technology. Unfortunately, shortly afterwards the Company was required to issue a clarification and subsequently was contacted by the counterparty who advised xTV that the contract between the Company and itself was being terminated.

In June 2016 the Company sought a voluntary suspension of trading of its securities on ASX pending an announcement on 'management and restructuring arrangements'.

In July 2016 the Company announced it had repaid the amounts owing under the East West Bank facility and provided security to Bergen Global Opportunity Fund LP in relation to its facility.

Following which, also in July 2016, the Company appointed Mr Willesee and Miss Dale to the parent Board and accepted the resignation of Messrs Ward and Reynolds, which was shortly followed by the appointment of Mr Hill and resignation of Mr Canepa.

This resulted in a whole new parent Board being in place such that all the directors in office during the aforementioned period during which the debt was incurred and contract agreed and subsequently terminated had ceased as directors and a new Board was in place.

Endeavours by the new Board to restructure the Group and particularly to manage its financial difficulties were further impacted when in September 2016 a petition under Chapter 7 of the US

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DIRECTORS' REPORT (continued)

Bankruptcy Code was filed in the Northern Californian Bankruptcy Court in relation to the Company's US subsidiary xTV Networks Inc. The Petition was filed by a group of creditors as an Involuntary Petition.

In October 2016 the Company's US subsidiary xTV Networks Inc. entered into bankruptcy pursuant to Chapter 7 of the United States Bankruptcy Code in the U.S. Bankruptcy Court for the Northern District of California.

The Company has remained suspended from trading on ASX pending suitably restructuring its business operations and financial circumstances to facilitate, amongst other things, its recommencement of trading on ASX.

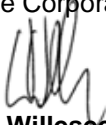
Overview of Results and Accounting Basis

The Company made a loss of AUD \$328,056 for the half-year ended 31 December 2017 (2016: loss USD \$283,484).

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires the auditors, Crowe Horwath, to provide the Directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 13 and forms part of this Directors' report for the half-year ended 31 December 2017.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to S.306 (3) of the Corporations Act 2001.



Winton Willesee
Chairman
4 July 2018

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Statement of Profit or Loss and Other Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Half-year ended 31 December 2017 \$AUD	Half-year ended 31 December 2016 \$USD
Revenue	-	-
Interest revenue	-	2
Total revenue	-	2
Expense		
Employee benefits expense	(10,892)	(8,927)
Legal & consultant costs	(75,805)	(83,858)
Corporate and administrative costs	(31,188)	(54,834)
Finance costs	(206,876)	(137,307)
Other expenses	5,613	-
Loss before income tax	(328,056)	(284,924)
Income tax benefit/(expense)	-	1,440
Loss for the period	(328,056)	(283,484)
Other comprehensive income for the period	-	-
Total comprehensive loss for period*	(328,056)	(283,484)
	AUD cents	USD cents
Basic loss per share (cents)	(0.03)	(0.02)
Diluted loss per share (cents)	(0.03)	(0.02)

* There are no non-controlling interests or losses. All losses are attributable to the members of the parent.

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes. The half year ended 31 December 2017 and 2016 financial statements have been prepared on a non-going concern basis and are not consolidated, and comparatives for 2016 are in USD have not been re-stated to Australian Dollars. Refer to Note 1(a).

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Statement of Financial Position

AS AT 31 DECEMBER 2017

	Notes	As at 31 December 2017 \$AUD	As at 30 June 2017 \$AUD
ASSETS			
Current Assets			
Cash and cash equivalents		62,211	53,894
Trade and other receivables		8,744	6,328
Other current assets		-	8,018
Total Current Assets		70,955	68,240
LIABILITIES			
Current Liabilities			
Trade and other payables		223,858	152,455
Financial Liabilities	2	3,764,914	3,505,547
Total Current Liabilities		3,988,772	3,658,002
NET LIABILITIES		(3,917,817)	(3,589,762)
EQUITY			
Issued capital		19,286,516	19,286,516
Reserves		994,710	994,710
Accumulated losses		(24,199,043)	(23,870,987)
TOTAL EQUITY		(3,917,817)	(3,589,762)

The above Statement of Financial Position should be read in conjunction with the accompanying notes. The 2017 financial statements have been prepared on a non-going concern basis and are not consolidated. Refer to Note 1(a).

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Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Issued Capital \$USD	Accumulated Losses \$USD	Reserves \$USD	Total Equity \$USD
At 1 July 2016	15,008,766	(18,026,133)	774,083	(2,243,284)
Loss attributable to members of the parent entity	-	(283,484)	-	(283,484)
Movements due to foreign currency translation	(428,160)	566,952	(22,082)	116,710
At 31 December 2016	14,580,606	(17,742,665)	752,001	(2,410,058)

	Issued Capital \$AUD	Accumulated Losses \$AUD	Reserves \$AUD	Total Equity \$AUD
At 1 July 2017	19,286,516	(23,870,987)	994,710	(3,589,762)
Loss attributable to members of the parent entity	-	(328,056)	-	(328,056)
At 31 December 2017	19,286,516	(24,199,043)	994,710	(3,917,817)

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes. The 2017 and 2016 financial statements have been prepared on a non-going concern basis and are not consolidated, and comparatives for 2016 in United States Dollars have not been re-stated to Australian Dollars. Refer to Note 1(a).

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Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Half-year ended 31 December 2017 \$AUD	Half-year ended 31 December 2016 \$USD
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	-	-
Payments to suppliers and employees	(50,794)	(265,715)
Interest received	-	-
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(50,794)	(265,715)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for internally developed intangible assets	-	-
Acquisition of plant and equipment	-	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	59,111	267,378
Proceeds from issue of options net of costs	-	-
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	59,111	267,378
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	8,317	1,663
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	53,894	20,563
Foreign exchange translation difference		-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	62,211	22,226

The above Statement of Cash Flows should be read in conjunction with the accompanying notes. The 2017 and 2016 financial statements have been prepared on a non-going concern basis and are not consolidated. Refer to Note 1(a).

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

As disclosed in the 30 June 2015 Annual Report, the acquisition on 3 February 2015 of XTV Networks by XTV Networks Limited (formerly Intercept Minerals Limited) was accounted for as a reverse acquisition under AASB 3 – Business Combinations. This treatment meant that while in legal terms the transaction was XTV Networks Limited acquiring XTV Networks Inc, for accounting purposes XTV Networks Inc was deemed to have acquired XTV Networks Limited. As a result, XTV Networks Limited, although the legal parent entity, was deemed the accounting subsidiary, and XTV Networks Inc, the legal subsidiary was deemed the accounting parent.

As a result of matters outlined below management do not have access to sufficient and verifiable financial information relating to XTV Networks Inc (legal subsidiary/accounting parent) for the period ended 31 December 2017. As a result, management are unable to apply the requirements of AASB 10 – *Consolidated Financial Statements* for the accounting period ended 31 December 2017. As such the 31 December 2017, financial statements relate to XTV Networks Limited only (legal parent/accounting subsidiary).

a) Basis of preparation

Financial statements are normally prepared on a going concern basis where there is neither the intention nor the need to materially curtail the scale of the entity's operation. If such intention or need exists, the financial statements cannot be prepared on a going concern basis.

This financial report is a general purpose financial report for the interim half-year reporting period ended 31 December 2017 has been prepared in accordance with Australian Accounting Standard AASB 134: Interim Financial Reporting, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*, as they apply to a non-going concern basis.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements as at 30 June 2017.

The financial report is presented in Australian Dollars and is rounded to the nearest whole dollar unless otherwise stated. The 2016 financial report was presented in United States Dollars and accordingly the 2016 comparative balances have not been re-stated in Australian Dollars.

The Company's wholly owned US subsidiary xTV Networks Inc. subsequently entered bankruptcy pursuant to Chapter 7 of the United States Bankruptcy Code on 27 October 2016. Due to the bankruptcy and the resignation of the Company's previous directors and senior management, no sufficiently complete and verifiable financial information for xTV Networks Inc (accounting parent/legal subsidiary) is available to management, and accordingly the Directors have been unable to apply the requirements of AASB 10- Consolidated Financial Statements.

The financial statements reflect the activities and position of XTV Networks Limited (accounting subsidiary/legal parent) only, including full provision for the non-recovery of the Company's investment in and loans advanced to xTV Networks Inc.

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NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

b) Going concern

As outlined in the Operations Report, a significant number of events occurred prior to the balance date, including, but not limited to:

- (i) the Bankruptcy of the Company's US Subsidiary and major operating business xTV Networks Inc. on 27 October 2016;
- (ii) the material curtailment of the Company's operations in the United States due to the aforementioned Bankruptcy proceedings;
- (iii) the Company's default under the Convertible Securities Subscription Agreement with Bergen Global Opportunity Fund; and
- (iv) the lack of verifiable financial information available to the incoming Board of Directors in relation to the financial and operational performance of xTV Networks Inc. from the date of Bankruptcy to 31 December 2017.

Given the above circumstances and the net asset deficiency of the Company as at 31 December 2017 of AUD\$3,917,817 the Directors have concluded that the going concern assumption is not appropriate for the preparation of these accounts.

Based on the above circumstances, the Directors have applied the requirements of paragraph 25 of AASB 101 Presentation of Financial Statements which state that "When the financial report is not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial report is prepared and the reason why the entity is not regarded as a going concern."

c) Impact of adopting the non-going concern basis of preparation on measurement, classification of assets and liabilities, and disclosure

Under the non-going concern basis of preparation, assets have been measured at their subsequent realisable value. The subsequent realisable value is their value based on the proceeds subsequently received on sale, disposal or realisation. Liabilities have generally been measured at their contractual amounts payable including in default circumstances where relevant.

The recognition and de-recognition requirements of Australian Accounting Standards have continued to be applied on the preparation of the financial report.

Any gains or losses resulting from measuring assets and liabilities under the non-going concern basis are recognised in profit and loss.

The material impacts of adopting the non-going concern basis of preparation and measuring assets and liabilities on that basis are summarised below.

Carrying value of xTV Network Inc.

xTV Network Inc. is a 100% owned legal subsidiary of the Company.

As a result of the matters outlined above, the carrying value of the Company's investment in xTV Network Inc has been valued at zero in the financial statements.

In addition, the carrying value of the Company's loans to xTV Inc has been valued at zero in the financial statements.

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NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Carrying value of trade and other payables and provisions

The carrying value of trade payables and provisions of the Company as at 31 December 2017 have been recognised at their contractual amounts payable.

The financial statements record an amount of AUD\$3,414,269 in relation to a secured convertible note loan and capitalised interest owing to Bergen Global Opportunities Fund that is due and payable under the non-going concern basis.

d) Statement of Compliance with International Financial Reporting Standards

This general purpose financial report complies with Australian Accounting Standards as applied under the non-going concern basis of preparation. Compliance with Australian Accounting Standards ensures that the financial report, comprising the financial statements and the notes thereto, complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

e) New and revised accounting requirements applicable to the current half-year reporting period

New Australian Accounting Standards and interpretations that have been issued and amended but not yet effective have not been adopted by the Company for the interim reporting period ended 31 December 2017. In light of the non-going concern basis of preparation the Company has not determined the impact of standards issued yet not effective.

NOTE 2: FINANCIAL LIABILITIES

	31 December 2017 \$AUD	30 June 2017 \$AUD
Convertible Note	2,789,508	2,801,336
Accrued Interest	624,761	399,453
Other Liabilities	350,645	304,758
	3,764,914	3,505,547

Note: The Convertible Note was issued on 31 May 2016 for an amount of USD\$2,180,000. In conjunction with the Convertible Note, there were 28,800,000 ordinary shares issued for no consideration and 28,000,000 free options exercisable at \$A0.013 by 30 May 2019. The Company is in breach of the terms of the Convertible Note and as at the date of this report the breach had not been remedied or waived.

NOTE 3: EVENTS AFTER THE END OF THE INTERIM PERIOD

Other than the matters outlined in the Director's Report and Note 1, there has not arisen in the interval between the end of the period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect substantially the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

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NOTE 4: CONTINGENT LIABILITY

Noting the issues the Company has experienced over recent times, and particularly the incomplete historical records available to the current Board of Directors, it remains possible that there may exist contingent liabilities that may have existed pre the appointment of the current Board of Directors and of which the current Board of Directors is unaware. It is noted that given the Company's funding situation, and noting that no contingent creditors had approached the Company, seeking specialist advice on non-pressing matters such as review of Company's records to determine whether any contingent liabilities may exist was not deemed to be the best application of the Company's limited funds.

One contingent liability of which the Board of Directors is aware relates to the retention allowance on an insurance policy the Company held. A claim was made against parties insured by that policy (which did not include the Company itself or its current directors) which reacted to the claim. The Company was not in a position to meet the retention allowance of \$US350,000 and accordingly entered into an agreement with the relevant insurer such that should the Company be in a position in future to meet that retention allowance it would do so.

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Directors' Declaration

The Directors of the Company declare that, in the opinion of the Directors:

- (a) the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including:
 - (i) Complying with Accounting Standards, International Financial Reporting Standards as issued by the International Accounting Standards Board as they apply on a non-going concern basis, the Corporation Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) Giving a true and fair view of the Company's financial position as at 31 December 2017 and its performance, changes in equity and their cash flow, for the financial period ended on that date to the extent circumstances outlined in Note 1(b) are taken into account.

- (b) The ongoing solvency of the Company is dependent on:
 - (i) the continued support of the secured creditor,
 - (ii) the continued support of the Directors, and
 - (iii) future access to funding

Signed in accordance with a resolution of the Directors made pursuant to S303(5) of the *Corporations Act 2001*.

Without qualifying the above conclusion the Directors draw attention to the basis of preparation of the financial reports set out in Note 1(a) Basis of Preparation.

On behalf of the Directors



Winton Willesee
Chairman
4 July 2018

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of XTV Networks Limited for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

**CROWE HORWATH PERTH****CYRUS PATELL**

Partner

Signed at Perth, 4 July 2018

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF XTV NETWORKS LIMITED

Report on the Half-Year Financial Report

We were engaged to review the accompanying half-year financial report of XTV Networks Ltd (the Company), which comprises the statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity, 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 Company during the half year ended 31 December 2017.

Directors' Responsibility for the Financial Report

The directors of XTV Networks Ltd are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards as they apply to a non going concern basis and the *Corporations Act 2001* and for such 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*. Because of the matter described in the Basis for Disclaimer of Conclusion paragraph, however, we were not able to obtain sufficient appropriate evidence to provide a basis for a review conclusion.

Independence

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

Basis for Disclaimer of Review Conclusion

As a result of the matters outlined in Note 1 to the half-year financial report, we note the following:

- The half-year financial report of the Company has been prepared on a non going concern basis. By preparing the half-year financial report under the non going concern basis, the directors of the Company have determined that they have no realistic alternative other than to liquidate the operations of the entity. Management have been unable to provide sufficiently complete information in respect to creditor claims (including employee entitlements) arising in a liquidation scenario. As a result, we have been unable to gain sufficient evidence over the completeness of the creditor claims and the associated disclosures in the half-year financial report.
- The half-year financial report has not been prepared on a consolidated basis as required by AASB 10 *Consolidated Financial Statements*.

Disclaimer of Review Conclusion

Because of the significance of the matters described in the Basis for Disclaimer of Review Conclusion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for a conclusion on the half-year financial report. Accordingly, we do not express a conclusion on the accompanying half-year financial report of the entity.



CROWE HORWATH PERTH



CYRUS PATELL

Partner

Signed at Perth, 4 July 2018