

ASX Announcement

June 2017 Quarter Review

- Cash receipts for the quarter were \$66k, bringing cash receipts for the financial year to a total of \$518k
- Key telematics subscription metrics for the June Quarter:
 - **Average Subscription Growth Rate** of approximately 6.9% month on month
 - **ARPU** of \$23.72 per calendar month per vehicle
 - **Average 4.47 Subscriptions** per customer account
 - **Average Subscription Conversion Rate** of 88.3%
- Net cash used in operations decreased by 55% quarter-on-quarter, from \$1.35mil to \$0.62mil.
- Strategic line of credit obtained, securing \$1.00mil additional working capital

31 July 2017, Melbourne Australia: Connexion Media Limited (ASX:CXZ), an innovator in the connected car market, has today released its Appendix 4C for the three-month period to 30 June 2017 and is pleased to provide a review of its progress during the quarter.

Corporate and Financial

Cash Receipts

Cash receipts were \$66k for Q4 FY2017, compared to \$129k in Q3 FY2017. Net cash receipts for the year to date FY2017 were \$2.96mil, compared to \$1.32mil in FY2016.

Receivables relating to the June quarter are \$49k, a 40% decrease from the same prior corresponding period for FY2016, reflecting stronger results in our cash collections cycle.

Further changes resulting from Strategic Review

Board and Governance

Following the termination of Mr Parthimos' contract with the Company as announced during the quarter, existing Non-Executive Director Mr Mark Caruso was appointed as Chairman of the Company and Mr David Connolly as Executive Director of the Company.

The Company was also pleased to advise of the appointment of Mr Robert Downey as a Non-Executive Director of the Company.

Mr Downey is a qualified solicitor who has practised mainly in the areas of international resources law, corporate law and initial public offerings as well as mergers and acquisitions. He has extensive experience as an advisor, founder and director of various ASX, TSX and AIM companies. Mr Downey is currently a partner at Dominion Legal, a boutique law firm in Perth.

Sales and Marketing:

Led by newly appointed and US based CEO, Junior Barrett, the Company's sales and marketing efforts will be managed from Detroit, a global automotive hub. At the Detroit office, the Company's sales and marketing team will be expanded. Sales staff will target fleet managers with 1,000+ vehicles in addition to its original focus on small fleet customers of up to 15 vehicles. This expanded target market increases the number of vehicles in the Company's addressable market by an additional 1.75 million vehicles.

The key performance indicators for the three months to 30 June 2017 are detailed below:

- **Average Revenue Per User** of \$23.72/month per user excluding tax, or \$284.67 annualised, (April \$18.50, May \$25.04, June \$27.63).
- **Average Subscriber Growth** of 6.9%, (April 8.70%, May 7.20%, June 4.67%).
- **Average Subscribers Per Customer** 4.47 vehicle subscriptions per customer on average (April 3.48, May 4.71, June 5.20).
- **Average Subscription Conversion Rate** of 88.3% (April 95%, May 85%, June 85%).

Systems enhancement revenues have continued to grow, as previously reported the company has been awarded sales territory expansions and this includes consideration for product features and language support.

Additional, non-pure telematics processing and systems development opportunities have also begun to emerge based on the company's strong delivery record with General Motors. These opportunities will be contracted on a fixed price basis and related to areas of General Motor's systems requirements complimentary to leveraging vehicle data to perform operational tasks.

Financial management and reporting

The Company announced during the quarter that it has appointed top tier accounting firm Deloitte Touche Tohmatsu (Deloitte) to manage its finance function. Deloitte will provide a full suite of finance operational responsibilities and bolster the financial acumen of the Company and will provide the necessary financial support to Mr Barrett and Mr Connolly and assist in the reporting to the Board.

The decision to appoint Deloitte in lieu of an in house function was driven by the board seeking an optimal mix of industry expertise, price without compromise on performance. In the first 4 weeks Deloitte have conducted a comprehensive audit, made recommendations for efficient international growth structures, resolved challenges associated with the changing workforce profile and supported the Board in its roll out of its strategy.

Development team and Production Support

The Development team has been rationalised to focus solely on the systems enhancements acquired by General Motors, inclusive of new product features and language support required in Canada and Mexico. We are actively seeking to increase the team size for General Motors in order to deliver development milestones with increased frequency – this directly correlates to company financial performance.

The Production Support team has been an ongoing high cost area, directly a reflection of the number of products the company launched over time with different workload profiles, underlying technology stack support requirements and differing delivery models. The Company has rationalised this team to support revenue generating products and services and taken measured steps to reduce the cost to deliver products. This will be an area of additional focus over the coming month as we appoint a single production support team with improved purchasing agreements.

Head office location

The board, in line with rationalising the cost base to focus on performing contracts, moved the head office from 600 St Kilda Road to Level 1, 11-19 Bank Place in Melbourne. The new location offers the team superb facilities with greater amenity, high speed internet capacity and built in security services as required to comply with our client contract obligations. The property allows for expansion of the business property costs in line with headcount growth, as well as having frontage onto the historical Bank Place, which is a well-known precinct for client entertainment.

Strategic line of credit

At quarter end, the Company announced the finalisation and execution of a Loan Facility Agreement with Principis Master Fund SPC – Lucerne Composite Master Fund SP (“Lucerne”) for a facility of up to \$1 million (“the Facility”).

The Facility is in the form of a revolving corporate line of credit and will be secured by way of a charge over CXZ’s Research and Development (R&D) Tax Rebate, expected to be in the range of \$1.4 million to \$1.75 million, anticipated to be received in the first quarter of FY17/18.

The Facility will be repaid upon receipt of the R&D Tax Rebate or 6 months, whatever occurs earlier.

The Company is also engaging with the Series 1 Convertible Note Holders, with a total liability of \$2,000,000 in the coming weeks in respect to the convertible note maturity date in August 2017 to determine the level of conversion or otherwise as at the maturity date.

Outlook

The board has taken proactive steps to ensure that the company achieves its goals. The strategic review has been comprehensive and efficient, leaving the company with a right sized team to deliver the key short term revenue opportunities that are presented through the General Motors contract, whilst building the annuity base of revenue through subscription services. Balancing the two whilst the subscription based products graft is a challenge the board has issued our new US based CEO.

Cost reduction is a tactic and not a strategy – whilst the board has made tough decisions to right size the workforce profile the objective of this combined with Series 1 Convertible Note Holder engagement is to set the company up for significant growth into opportunities we have already identified. The company has a real, global, track record of delivering systems to support Internet of Things projects, which we intend to build on through smart growth.

We look forward to increasing shareholder and investor communications and transparency as we reset the business for the next phase of expansion.

Ends**Media queries:**

Yutong Meng

Connexion Media Limited

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About Connexion Media

Connexion Media specialises in developing and commercialising smart car software apps and services for internet-connected vehicles and mobile devices. The Company is headquartered in Melbourne, Australia and currently has offices in Cambridge and Detroit.

Connexion has two core products in commercialisation, CXZ Telematics and miRoamer. CXZ Telematics is a highly sophisticated smart car solution that allows car fleet managers to manage an entire fleet of vehicles from a mobile phone or computer and deliver cost efficiencies through reduced maintenance costs. CXZ Telematics is able to track a range of real time and historical data including vehicle locations, distance travelled, fuel consumption, battery life, engine performance and absolute and average speeds travelled. It is also able to monitor driver behaviour and instantly send notifications and alarms to vehicle owners and fleet managers.

miRoamer is a next generation internet radio product that allows users to pick up radio stations from broad geographies, including international stations. miRoamer has become the world leader in internet radio technology, delivering a superior understanding of the technical, content and marketing demands of radio manufacturers and car makers alike.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Connexion Media Limited

ABN

68 004 240 313

Quarter ended ("current quarter")

30 June 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	66	518
1.2 Payments for		
(a) research and development	(73)	(976)
(b) product manufacturing and operating costs	(218)	(1,352)
(c) advertising and marketing	2	(205)
(d) leased assets	-	-
(e) staff costs	(365)	(2,246)
(f) administration and corporate costs	(77)	(1,073)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	2
1.5 Interest and other costs of finance paid	-	(405)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	2,397
1.8 Other (provide details if material) Capital-raising and Acquisition costs	49	49
1.9 Net cash from / (used in) operating activities	(616)	(3,291)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	2
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	186
2.3 Cash flows from loans to other entities	(1)	(1)
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(1)	187

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	51	1,000
3.2 Proceeds from issue of convertible notes	-	2,805
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(253)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(93)	(93)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (Capital raising costs: capitalised)	-	(123)
3.10 Net cash from / (used in) financing activities	(42)	3,336

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	1,026	135
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(616)	(3,291)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(1)	187
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(42)	3,336

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	367	367

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	286	286
5.2	Call deposits	81	81
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	367	367

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

41

-

Payment of Board and Director's Fees

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

-

-

N/A.

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	1,000	250
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

CXZ Credit Facility Line entered into 30 June 2017 Principis Master Fund SPC

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(31)
9.2 Product manufacturing and operating costs	(45)
9.3 Advertising and marketing	(5)
9.4 Leased assets	-
9.5 Staff costs	(171)
9.6 Administration and corporate costs	(55)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(307)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:  Date: 31 July 2017
(Company secretary)

Print name: Peter Torre

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. Included in the current period are various adjustments relating to prior period cost allocations. These adjustments are not material, and do not affect Net cash from / (used in) operating activities, Net cash from / (used in) investing activities, or Net cash from / (used in) financing activities.