



International Limited ACN 110 184 355

Corporate Head Office
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ASX Code: TV2

ASX ANNOUNCEMENT

31 October 2017

QUARTERLY REPORT Period Ended 30 September 2017

HIGHLIGHTS

The Board of TV2U International Limited (TV2U or the Company) is pleased to provide the following update for the Quarter ended 30 September 2017.

Nick Fitzgerald Executive Chairman of Tv2U International Limited (“TV2U”) advised that:

“While the September Quarter has been a difficult period, the Company has made great strides towards our initial goals of starting OTT services in Brazil and Indonesia. Our team is working towards finalising all the necessary arrangements for the start of these services. We improved our OTT product with the launch of IVAN -X during the quarter and believe we offer a world class product. Unfortunately issues with our customers have delayed the launch of the services both in Brazil and Indonesia but we are assisting our clients to work thru their issues as we move towards the launch of the services.

We continue to look for other opportunities and additional key customer contract opportunities are advancing through the sales pipeline and the Board of Directors have confidence in the product and look forward to further opportunities in the future.

The introduction of the further tranches of Convertible Notes was necessary to provide working capital to the business as we gear up for the introduction of the services in Brazil and Indonesia.”

KEY AGREEMENTS & BUSINESS OPPORTUNITIES

Launch of IVAN X

In July 2017 the Company announced the launch of our “iVAN-X” content management middleware solution, as a cloud based OTT white-labelled managed-delivery service from the cloud available to content owners via a simple web based interface. The features of Ivan-X include:

- A web-based client interface to upload, manage and organize content and metadata, served from the Cloud;
- Allows content owners and service providers to present rich, discoverable, personalized content through the creation, distribution and operation of secure live and on-demand services;
- Modular SaaS, end-to-end platform for the management and delivery of live and on-demand video based content services to set-top-boxes, PC’s, Wireless and CE devices;
- Adaptive Bitrate Power, providing viewers with the best quality of viewing experience, no matter what the device or connection speed;
- Real-time analytics for live and on-demand video, providing the data required to understand how, when, and where content is seen, consumed and shared by viewers.

OTT delivery is still highly challenging, can be expensive to deploy, and full of complexities that requires careful planning and preparation if providers want to obtain maximum benefit in the consumer-driven era of multi-screen Internet TV. The need to ingest, manage and deliver thousands of hours of local, as well as premium, content started to become a little overwhelming and we needed the right model for our go-to-market strategy not just in Brazil, but worldwide.

As a result, we developed a web-based interface that allows any operator to upload their content to the cloud. IVAN-X's workflow makes it possible for our clients to quickly and efficiently launch and deliver cost-effective OTT video services. Being device and network-agnostic, IVAN-X enables content to be delivered anywhere, in any format, to any device, across any network, all in a cost-effective way with minimal latency issues".

IVAN-X will first be deployed for the Brazilian and Indonesian markets, after which it will be offered as an independent global service.

Latin American content overseas.

In July 2017 TV2U entered a non-binding Letter of Intent with FibraRede in South Brazil, to provide a managed OTT (Over-the-Top) service for the delivery of Brazilian and other Latin American content, including LIVE TV channels, movies on-demand and audio content overseas. The regions to be served include Japan, Vietnam, the Philippines and Australia where consumers will be able to view the content via a set-top-box and other devices including smartphones, tablets and PCs.

This opportunity will leverage the technology deployed at SOL Telecom and TV2U will work together with FibraRede for the distribution of the content. TV2U will provide its customized player applications and analytical platform for granular profiling of the consumer's social and viewing habits, with the expectation that services will further extend into targeted advertising.

LETTER OF INTENT WITH VISIONTEC BRAZIL TO PROVIDE SET TOP BOXES

In July 2017 entered into a non-binding Letter of Intent with Visiontec in Brazil, to provide access for TV2U's OTT services on Visiontec's Set Top Boxes (STB). The OTT service will be available on both Visiontec's latest STBs and also legacy IP STBs by a simple firmware update in the field. Visiontec will also make the STB's available through SOL Telecom and the Association of OTT Operators 'ABEII' to the member ISPs and their subscriber bases. Furthermore, Visiontec will promote TV2U's OTT services through some 15,000 retail outlets throughout Brazil.

It is also the intention of TV2U to engage technical and sales services from Visiontec's existing call centre to provide frontline support in anticipation of the roll out of OTT services within Brazil.

TV2U's applications will be embedded onto the android-based set top box and will include an electronic program guide as well as full security functions such as digital rights management.

OPPORTUNITIES IN LATAM:

SOL Telecom

The team is working towards the launch of OTT services in Brazil.

The OTT Association (Announced on 29 June 2017) is being operated as a not-for-profit industry body and as such, we have taken the decision to go to market as a separate entity (but with the full support of the Association). This decision was taken to allow the ISPs to operate the Association as a completely independent entity for the overall benefit of the IPS industry in Brazil, while allowing TV2U and SOL Telecom to commercially exploit the market for the OTT services. We do not consider that the change will make any difference to the size of the opportunity and all parties remain fully and very actively involved.

We continue to add more TV and radio channels weekly to our OTT offering as they become available to us. We currently have in excess of 130 fully active channels, with an overall target of in excess of 250. These channels are being delivered via our partnership with TCM TV CABO MOSSORÓ in Brazil, together with the technical infrastructure that is in place for the encoding and distribution.

Other Opportunities in the Region

Firm advances have been made for sales opportunities related to OTT services in the Latin American Region. These opportunities will continue to be progressed throughout the next quarter and the Board is confident that future significant business opportunities will materialise within the region. Potential customer opportunities within the region have also been advanced in relation to the proposed additional IP licenses.

OPPORTUNITIES IN ASIA:

PT. PGAS Telekomunikasi Nusantara

The Company has continued working on the architecture and implementation of the technical solution, in Jakarta. Discussions with the Studios are progressing well to secure both the LIVE TV and movie content.

Together with PGASCOM, the Company has developed a substantial sales pipeline of downstream customers, concentrating in this first-wave of activity on Mobile Operators. We will extend the availability of our products to a high number of Operators and ISPs within the region as we gain traction and roll out the services. The first customer for the OTT services will be SmartFren, who are also now contracted for the services, through our partner PGASCOM, and will market the service to their 14m smartphone subscribers.

During the Quarter the implementation was been set back by some weeks, due to further internal work being necessary at PGASCOM. The additional work relates to sign-off procedures for them to fully comply with Indonesian regulations. We are fully engaged with PGASCOM and are confident that they will work thru these issues.

During this period Tv2U has been working very hard to agree the content line ups and all Content Owners are fully engaged in the negotiation processes. In parallel we have been preparing services for launch with SmartFren.

CORPORATE

TRANCHE A AND B CONVERTIBLE NOTES

During the previous Quarter TV2U announced that it signed an agreement with MEF I, L.P. for the issue of the US\$ equivalent of A\$1.1 million in \$US denominated Convertible Notes. The Convertible Notes were issued at a 10% discount, for an aggregate subscription price of A\$1.0 million. As such, each Convertible Note has a face value of A\$1.10 each and was issued for A\$1.00 each. Convertible Notes that are not already redeemed or converted into ordinary shares, will mature 12 months after they are issued, by the Company paying the face value of each such Convertible Note to the Investor.

Each Convertible Note is convertible into ordinary shares, at the option of the Investor at the lower of 1.5 cents per share or at a price equal to 90% of the average of the four (4) lowest daily VWAPs over the ten (10) Trading Day period on which trading in shares occurred on ASX immediately prior to the election to convert.

The issue of the Convertible Notes was divided into two tranches. The first was made within the Company's available placement capacity under ASX Listing Rule 7.1, subject to confirmations from the ASX and the lodgement of a compliance prospectus in relation to the issue of the Convertible Notes. The second for the remainder of the Convertible Notes was subject to the approval of the Company's shareholders at a general meeting and other customary conditions. At the EGM on 6 July 2017 shareholders unanimously ratified the issue of the Convertible Notes. At the same time that the Investor was issued the first tranche of the Convertible Notes, the Investor was also issued 3,000,000 ordinary shares in consideration for entering into the agreement to subscribe for the Convertible Notes.

EGM

On 31 May 2017 the Company issued a Notice of Meeting calling an EGM for 6 July 2017. The purpose of the meeting was to ratify the issue of the above Convertible Notes and the issue of 19,230,769 Options which were part of the Capital Raising in December 2016 as well as to ratify the issue of a number of tranches of shares issued by the Company under Listing Rule 7.1 and 7.1A. All resolutions put to the meeting were unanimously agreed.

TRANCHE C, D AND E CONVERTIBLE NOTES

On 15 August 2017 the Company entered a further agreement with Magna to subscribe for \$US denominated convertible notes (Convertible Notes) with an aggregate face value equivalent to A\$1.76 million with the option to issue further convertible notes with a face value of A\$1.4 million. The Convertible Notes will be issued at a 10% discount. The initial issue will have an aggregate subscription price of the US\$ equivalent of A\$1.6 million. As such, each Convertible Note will have a face value of US\$1.10 each and will be issued for US\$1.00 each.

This issue of the Convertible Notes was divided into three tranches:

1. Tranche C for a face value of A\$660,000 (Tranche C Convertible Notes) issued within the Company's available placement capacity under ASX Listing Rule 7.1. In the absence of Shareholder Approval, a fixed A\$/US\$ exchange rate of 0.770 and a fixed minimum conversion price of \$A0.005 will apply in relation to the conversion of Tranche C Convertible Notes into Conversion Shares,
2. Tranche D for a face value of A\$1.1 million (Tranche D Convertible Notes) made subject to and following the approval of the Company's shareholders at the general meeting held on 25 September 2017 and other customary conditions..
3. Tranche E will be issued subject to satisfaction of certain Conditions Precedent including the receipt of the Shareholder Approval. The Company may give a written notice to the Investor by no later than 20 November 2017 requiring the Investor to subscribe for a number of Tranche E Convertible Notes on a specified date between 1 December and 8 December 2017 to raise the US\$ equivalent of A\$1,400,000. The number of Tranche C Convertible Notes that may be issued will depend on the A\$/US\$ exchange rate at the date of issue.

The Company lodged a prospectus in relation to the issue of the Convertible Notes with ASIC on .

Each Convertible Note will be convertible into ordinary shares in the Company, at the option of the Investor at the lower of an agreed floor price or at a price equal to 90% of the average of the four (4) lowest daily VWAPs over the ten (10) Trading Day period on which trading in shares occurred on ASX immediately prior to the election to convert. The agreed floor price at the time of conversion will be the lower of

- A\$1.8 cents per share subject to being permanently increased to, if the VWAP of Shares is above \$A0.025 for more than 5 consecutive trading days, A\$0.025; and if the VWAP of Shares is above A\$0.0030 for more than 5 consecutive trading days, A\$0.030;

and the lowest price at which the Company issues shares during the term of the Convertible Notes (other than pursuant to the conversion of a Convertible Note, an entitlement offer, or the exercise of any outstanding performance shares on issue).

EGM

On 26 September 2017 the Company convened an Extraordinary meeting of Shareholders in order for shareholders to approve the issue of the above convertible notes. All the resolutions were passed at the meeting.

---ENDS---

Investor Enquiries:

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About TV2U

TV2U is a pioneer of innovative technologies and business concepts, empowering its global customer base to increase profitability by generating revenue through cost-effective OPEX models. Our interactive solutions are cloud-based or can be a physically-deployed solution at an Operator's facility. TV2U is able to deliver any content (video, audio and data) over any network (internet, television, radio, satellite broadcasters), to any device (phone, tablet, television, pc, laptop, gaming consoles).

TV2U's disruptive technologies enable broadcast providers and Operators of all categories (i.e. free-to-air, cable, online, corporate and individual) to maximise their quality-of-delivery, regardless of network capacity or device.
