

27 February 2018

Market Announcements Platform
ASX Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

XTD Half Yearly Report FY2018

Cross track digital-communications system owner and operator XTD Limited (ASX: XTD) (**XTD** or the **Company**) can announce that revenues for H1FY2018 were down 8% on the corresponding FY2017 period. This reflected revenue for the period of \$1,979,870 against \$2,151,320 for the same period in 2017.

Cash and cash equivalents as at 31 December 2017 were \$2,338,399, up from \$1,830,292 at 30 June 2017.

Overall 2017 saw a downturn of 5% in advertising revenue on Rail formats as reported by APN Outdoor in their annual report released on 19 February 2018. Industry body, the OMA is predicting growth in the Australian market of 6% in the calendar year 2018.

Subsequent to executing a renewal of its contract with APN Outdoor in June 2017, XTD has successfully completed a migration of content delivery technology across our network to align our screens to the Scala platform used by APN Outdoor. This ensures more timely and responsive distribution of content to the national XTrackTV network reaching millions of Australian commuters every day. XTD's relationship with APN Outdoor will continue to address this rapidly growing market sector.

As reported in its announcement dated 15 December 2017, XTD's previous CEO left the business, and the Company is in the midst of a strategic review. While a comprehensive announcement will be released to the market in due course, XTD would like to highlight the following activity:

- The Digital Out of Home (**DOOH**) market continues to see significant growth. As a percentage of total Out of Home market revenue, DOOH has grown from 40.2% to 47.3% in the year to 31 December, 2017¹. XTrackTV and Rail advertising revenue in general didn't grow at these rates, but XTD expects this sector will enjoy a significant bounce in revenue that matches the greater advertising market as brands recognise it's potential and greater dwell times. XTD remains convinced the XTrackTV medium is a market with significant potential.

¹ OMA Media Release - http://www.oma.org.au/__data/assets/pdf_file/0008/18908/170118_2018_rings_in_8_years_of_OOH_growth.pdf

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- XTD's partnership with APN has strengthened during the reporting period, with aligned goals and strategic intent. XTD expects the partnership to yield well-earned growth as we continue to evolve the XTD Business for the future.
- XTD's innovation division, Contact Light, is commercialising two software products into global markets. Its flagship product, Embark, has been downloaded over 200,000 times and is forming the basis of tailored wayfinding and data solutions for Smart Cities and Tourism. Contact Light's Nearcast product is also being commercialised to add innovation to XTD's screen network, and to third party DOOH screen networks globally, to allow screen to mobile engagement. This unique feature will offer advertisers tangible value and data outcomes for their DOOH advertising investment.

XTD Limited looks forward to releasing a strategic update shortly.

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XTD Limited
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HALF YEAR FINANCIAL REPORT

31 DECEMBER 2017

TABLE OF CONTENTS

Corporate Information	1
Directors' Report	2
Auditor's Independence Declaration	6
Consolidated Statement of Profit or Loss and Other Comprehensive Income	7
Consolidated Statement of Financial Position	8
Consolidated Statement of Changes in Equity	9
Consolidated Statement of Cash Flows	10
Notes to the Consolidated Financial Statements	11
Directors' Declaration	20
Independent Auditor's Review Report	21

CORPORATE INFORMATION

Directors & Officers

Mr Frank Hurley – Non-Executive Chairman
Mr Stuart Richardson – Non-Executive Director
Mr Quentin Gracanin – Non-Executive Director
Mr Joe Copley – Non-Executive Director

Company Secretary

Mr Matthew Foy

Registered Office

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Stock Exchange

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Home Exchange – Perth
ASX Code – XTD

Australian Company Number

ACN 147 799 951

Australian Business Number

ABN 43 147 799 951

Website

www.xtd.tv

Bankers

National Australia Bank
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West Perth WA 6005

Auditors

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Domicile and Country of Incorporation

Australia

Solicitors

GTP Legal
Level 1, 28 Ord St
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DIRECTORS' REPORT

Your Directors present their report on the consolidated entity consisting of XTD Limited (**XTD** or the **Company**) and the entities it controls at the end of, or during, the half-year ended 31 December 2017 (the **Period**).

DIRECTORS

The Directors and Company Secretary of the Company at any time during or since the end of the half-year period are as follows.

Mr Frank Hurley – Non-Executive Chairman
Mr Stuart Richardson – Non-Executive Director
Mr Quentin Gracanin – Non-Executive Director
Mr Joe Copley - Non-Executive Director

OPERATING RESULT

The loss from operations of the consolidated entity for the half year ended 31 December 2017 after providing for income tax was \$1,103,987 (2016: \$844,638).

Additional information on the operations and financial position of the Group and its business strategies and prospects is set out in this directors' report and the interim financial report.

REVIEW OF OPERATIONS

During the Period, XTD continued its focus as a provider to the growing Out-of-Home Advertising (**OOH Advertising**) sector, owning and operating the world's first, designed for rail, cross-track digital video system that uses billboard-size LED television screens coupled to high definition sound to broadcast all forms of content to metro train commuters.

XTD's controlled technology subsidiary Contact Light Pty Ltd (**Contact Light**) is continuing its development and deployment of patented technology that allows interactivity between digital OOH screens and people's mobile devices, meaning that digital screen content can be viewed or actioned by people beyond their initial engagement with the content.

The Company is operating 32 XTD screens within underground rail stations in Melbourne as part of a seven-year contract with Metro Trains Melbourne Pty Ltd.

The Company has a separate seven-year contract with Queensland Rail for the installation and operation of the XTD system in four of Brisbane's busiest metro rail stations. Passenger traffic on Queensland Rail City Services has now reached 55 million customers annually, fuelled by strong population growth in South East Queensland and an increasing trend toward using public transport.

Through its proprietary cross-track digital system, XTD has designed a solution which gives the advertising market a medium to provide digital advertising to rail commuters from a cross-track location whilst they await their train. To date, cross-track advertising within train stations globally has largely been accomplished via static media posters which are expensive to print and mount, difficult to maintain / change (by virtue of their location) and losing appeal in a market becoming increasingly dominated by digital alternatives. XTD's cross-track system provides a very successful and reliable medium for advertisers and content providers given the significant dwell time a rail commuter typically spends on a platform in front of XTD's screens.

The key attributes of the XTD system include:

- Custom engineered large format digital LED screens with stereo sound to display dynamic video content.
- Wirelessly coupled to a proprietary XTD train approaching system.
- Secure, internet connectivity to ensure automated monitoring of screen performance delivering maximum saleability and market perception to brands.
- World class Content Management System (CMS) software which enables content to be changed wirelessly at any time - including the ability to present real-time information such as news, weather, and sports information.
- The system is OHS compliant to satisfy both State Government and rail operator requirements as evidenced by completion of successful six month trials in both Melbourne and Queensland.
- The system also offers a server platform to install phase two of the XTD package – Contact Light.

New Agreement Signed with APN Outdoor

During the period the Company advised it had signed a new agreement with one of Australia's largest outdoor media companies, APN Outdoor. The new agreement will see APN Outdoor continue to act as the content sales agency for XTD's digital screen networks in the Melbourne and Brisbane metro rail networks.

The new agreement with APN Outdoor increases the scope of the partnership with XTD, with the new term set to run for 18 months, with considerations for an additional extension term of 18 months. XTD's digital screen systems in the Melbourne and Brisbane metro rail networks form part of APN Outdoor's national XTrackTV digital out of home (DOOH) network with 82 screens across five Capital Cities reaching millions of daily rail commuters.

XTD System Trial for India

In 2016 XTD entered into a non-binding six-month trial with the Delhi Metro Rail Corporation (**DMRC**) - the Government operator of the Delhi Metro Rail Network - for cross track DOOH screens. Additionally a binding term sheet was signed with TDI International India (P) Limited (**TDI**) to act as the advertising sales agent for the trial of the XTD system within the DMRC network.

Prior to the commencement of the trial, it was determined that TDI would not be a suitable sales partner in Delhi. Utilising XTD's global media agency network a more suitable content and advertising partner was identified in New Delhi Television (NDTV). NDTV is an established broadcaster in Delhi with a number of news and current affairs channels, as well as a highly developed digital-content and innovation division called NDTV Convergence.

Four screens were installed for the six-month trial starting in April 2017 that demonstrated the functionality and capabilities of the media system in partnership with NDTV and DMRC. Following the trial and given the scale of the market, it was determined that the CapEx required for a significant rollout in India was beyond XTD's current funding capability. XTD continues regular dialogue with interested parties in the event a funding JV partner emerges or has an interest in this emerging market opportunity. These opportunities are not limited to XTD, with Contact Light and its Embark platform proving an attractive wayfinding asset in the emerging Indian market.



During the Period the Company's majority owned subsidiary, Contact Light continued to grow the user base of its EMBARK wayfinding app globally.

EMBARK is a smartphone app with more than 205,000 unique users that allows commuters to plan their journeys across all forms of public transport in real-time, order an Uber, and read the most in-demand editorial content from a variety of news sources. The app is available for free on the Apple iOS and Google Android platforms globally.

EMBARK was nominated by Apple as the Global "App of The Day" in late September 2017 following the release of the iPhone X and the new iOS 11 operating system. This free promotion from Apple increased the EMBARK user base by 30% in a matter of days - adding more than 60,000 new users globally.

EMBARK will shortly launch interaction with content on a network of digital out of home screens installed by XTD in busy commuter rail networks. Contact Light has completed a successful trial of EMBARK in the Brisbane network combining an advertiser supplied by APN Outdoor via XTD screens and interaction with the EMBARK app. The interactions could be information or entertainment based, as well as e-commerce.

Contact Light CEO Mike Boyd said, "EMBARK's capabilities are such that it is fully functional in all Australian capital cities and major regional centres with public transport infrastructure. People who take the free download from the Apple App Store can also use EMBARK in major cities in countries like the USA, UK, Canada, Germany, Spain, New Zealand, Mexico and France.

"With such extensive deployment of EMBARK now underway, Contact Light is now exploring commercial partnerships with major marketers who are reaching for new channels to connect with their mobile populations," said Boyd.

XTD CEO Departure

Near the end of December The XTD Board announced a full review of the Company's plans and opportunities for 2018. As part of the review, XTD's CEO Mr. Steve Wildisen exited the business. XTD Chairman Mr. Frank Hurley became acting CEO of XTD. The review of the business in progress includes a potential restructure of the XTD Group that would more closely align the unique technologies of XTD and Contact Light.

CORPORATE

During the Period XTD advised that Mr Steve Wildisen had resigned as CEO of the Company. The Board wishes to thank Mr Wildisen for his time as CEO of XTD since XTD floated on the ASX in December 2014

At the end of the Period the Company had 132,986,077 ordinary shares and the following classes of Performance Shares on issue:

- i. 15,000,037 Class D Performance Shares.

Subsequent Events

No other matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect:

- (i) the Group's operations in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the Group's state of affairs in future financial years.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the period 228,000 shares in Contact Light were issued to third parties at \$1.50 per share further reducing the Company's interest to 44.4 %.(From 47.35% at 30 June 2017)

Other than this matter, there were no significant changes in the state of affairs of the Company and its controlled entities during the financial half-year period.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

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

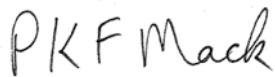
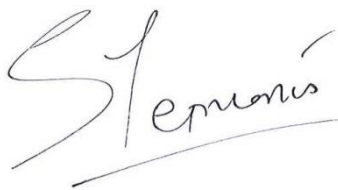


Stuart Richardson
Non-Executive Director
Perth, Western Australia

27 February 2018

AUDITOR'S INDEPENDENCE DECLARATION**TO THE DIRECTORS OF XTD LIMITED**

In relation to our review of the financial report of XTD Limited for the half year ended 31 December 2017, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

**PKF MACK**

SIMON FERMANIS
PARTNER

27 FEBRUARY 2018
WEST PERTH,
WESTERN AUSTRALIA

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	December 2017 \$	December 2016 \$
Revenue from continuing operations	1,979,870	2,151,320
Other expenses	(252,959)	(177,001)
Advertising and marketing fees	(26,592)	(252,381)
Amortisation of intangibles	(62,235)	(62,235)
Commission expenses	(470,627)	(522,039)
Consulting and advisory fees	(115,852)	(197,724)
Corporate compliance	(39,460)	(43,655)
Depreciation	(345,529)	(421,440)
Directors fees	3 (355,052)	(289,817)
Insurance expenses	(16,339)	(17,904)
Impairment	(236,828)	-
Personnel expenses	3 (959,865)	(729,072)
Professional fees	(160,380)	(177,568)
Travelling expenses	(60,809)	(123,792)
Loss from continuing operations before income tax	(1,122,657)	(863,308)
Income tax benefit	18,670	18,670
Loss from continuing operations after income tax	(1,103,987)	(844,638)
Other comprehensive loss for the period, net of tax		
<i>Items that may be reclassified to profit or loss:</i>		
Foreign exchange on translation of foreign subsidiary	(821)	-
Total comprehensive loss for the period	(1,104,808)	(844,638)
Loss for the period is attributable to:		
Owners of the company	(989,519)	(636,001)
Non-controlling interests	(114,468)	(208,637)
	(1,103,987)	(844,638)
Total comprehensive loss for the period attributable to:		
Owners of the company	(990,340)	(636,001)
Non-controlling interests	(114,468)	(208,637)
	(1,104,808)	(844,638)
Loss per share from continuing operations attributable to the ordinary equity holders of the company:	Cents	Cents
Basic loss per share	(0.74)	(0.47)
Diluted loss per share	(0.74)	(0.47)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 December 2017 \$	30 June 2017 \$
Current Assets			
Cash and cash equivalents		2,338,399	1,830,292
Trade and other receivables		87,796	150,927
Total Current Assets		2,426,195	1,981,219
Non-Current Assets			
Plant and equipment	4	1,769,008	2,296,282
Intangibles	5	435,640	497,875
Total Non-Current Assets		2,204,648	2,794,157
TOTAL ASSETS		4,630,843	4,775,376
Current Liabilities			
Trade and other payables		440,769	515,146
Provisions		37,141	45,645
Total Current Liabilities		477,910	560,791
Non-Current Liabilities			
Deferred tax liability		130,695	149,365
Total Non-Current Liabilities		130,695	149,365
TOTAL LIABILITIES		608,605	710,156
NET ASSETS		4,022,238	4,065,220
EQUITY			
Contributed equity	6	15,891,009	15,891,009
Share-based payment reserve		2,306,243	2,487,241
Accumulated losses		(13,152,142)	(13,417,571)
Capital and reserves attributable to owners of the company		5,045,110	4,960,679
Non-controlling interests	8	(1,022,872)	(895,459)
TOTAL EQUITY		4,022,238	4,065,220

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued Capital \$	Share-based Payment Reserve \$	Options Premium Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total \$	Non- controlling interests \$	Total Equity \$
At 1 July 2017	15,891,009	2,278,387	212,774	(3,920)	(13,417,571)	4,960,679	(895,459)	4,065,220
Loss for the year	-	-	-	-	(989,519)	(989,519)	(114,468)	(1,103,987)
Exchange differences on translation of foreign operations	-	-	-	(821)	-	(821)	-	(821)
Total comprehensive loss for the year	-	-	-	(821)	(989,519)	(990,340)	(114,468)	(1,104,808)
Transactions with owners in their capacity as owners:								
Share-based payment - performance shares	-	453,700	-	-	-	453,700	-	453,700
Share-based payment - incentive options	-	266,126	-	-	-	266,126	-	266,126
Reversal of Share- based payment	-	(900,003)	-	-	900,003	-	-	-
Disposal of shares in subsidiary (Note 8)	-	-	-	-	354,945	354,945	(12,945)	342,000
At 31 December 2017	15,891,009	2,098,210	212,774	(4,741)	(13,152,142)	5,045,110	(1,022,872)	4,022,238

	Issued Capital \$	Share-based Payment Reserve \$	Options Premium Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total \$	Non- controlling interests \$	Total Equity \$
At 1 July 2016	15,891,009	1,412,879	-	-	(11,734,652)	5,569,236	(453,653)	5,115,583
Loss for the year	-	-	-	-	(636,001)	(636,001)	(208,637)	(844,638)
Total comprehensive loss for the year	-	-	-	-	(636,001)	(636,001)	(208,637)	(844,638)
Transactions with owners in their capacity as owners:								
Share-based payment - performance shares	-	419,205	-	-	-	419,205	-	419,205
At 31 December 2016	15,891,009	1,832,084	-	-	(12,370,653)	5,352,440	(662,290)	4,690,150

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS

	December 2017 \$	December 2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(1,824,348)	(2,030,581)
Interest received	2,626	3,509
Receipts from customers	1,718,943	1,770,376
Research and development grant	351,083	354,469
Export Market Development Grant	-	-
Net cash inflow from operating activities	248,304	97,773
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant & equipment	(70,614)	(209,662)
Proceeds from part disposal of controlled entity	342,000	60,000
Net cash inflow/(outflow) from investing activities	271,386	(149,662)
Net increase/(decrease) in cash and cash equivalents	519,690	(51,889)
Exchange rate adjustments on foreign cash held	(11,583)	22,692
Cash and cash equivalents at the beginning of the period	1,830,292	2,208,980
NET CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	2,338,399	2,179,783

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION OF HALF-YEAR REPORT

This consolidated interim financial report for the half-year reporting period ended 31 December 2017 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by XTD Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The half-year report does not include full disclosures of the type normally included in an annual financial report. For the purposes of preparing the half-year financial statements, the half-year has been treated as a discrete reporting period.

The same accounting policies and methods have been consistently applied by the Consolidated Group in these half-year financial statements as compared with the most recent annual financial statements.

a) Intangible assets (contract rights)

Contract rights have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. The Melbourne contract is noted to have a life of 7 years.

b) Principles of consolidation

(i) Subsidiaries

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively

c) Adoption of new and revised accounting standards

In the half year ended 31 December 2017, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2017. It has been determined by the Company that, there is no impact, material or otherwise, of the new and revised standards and interpretations on its business and therefore no change is necessary to Company accounting policies. No retrospective change in accounting policy or material reclassification has occurred requiring the inclusion of a third Statement of Financial Position as at the beginning of the comparative financial period, as required under AASB 101.

2. SEGMENT INFORMATION

Identification of reportable operating segments

The group is organised into two operating segments: cross-track digital advertising (XTD Ltd), and mobile phone app development (Contact Light Pty Ltd). These operating segments are based on the internal reports that are reviewed and used by the Board of Directors of each entity (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The information reported to the CODM is on at least a monthly basis.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

2. SEGMENT INFORMATION (continued)

31 December 2017	XTD Ltd	Contact Light Pty Ltd	Total
	\$	\$	\$
Income	1,618,160	361,710	1,979,870
Commission expenses (rail operator)	(470,627)	-	(470,627)
Expenses	(1,200,136)	(304,174)	(1,504,310)
Income tax expense	18,670	-	18,670
Operating profit/(loss)	(33,933)	57,536	23,603
Other significant items:			
Share based payments expense	(453,700)	(266,126)	(719,826)
Depreciation	(342,260)	(3,269)	(345,529)
Amortisation of intangibles	(62,235)	-	(62,235)
Net loss after tax	(892,128)	(211,859)	(1,103,987)

Assets	XTD Ltd	Contact Light Pty Ltd	Total
	\$	\$	\$
Cash & cash equivalents	1,957,233	381,166	2,338,399
Other receivables	73,750	14,046	87,796
Plant and Equipment	1,764,888	4,120	1,769,008
Intangibles	435,640	-	435,640
	4,231,511	399,332	4,630,843

Liabilities			
Other payables	404,927	35,842	440,769
Provisions	4,615	32,526	37,141
Deferred tax liability	130,695	-	130,695
	540,237	68,368	608,605

2. SEGMENT INFORMATION (continued)

31 December 2016	XTD Ltd \$	Contact Light Pty Ltd \$	Total \$
Income	1,795,919	355,401	2,151,320
Commission expenses (rail operator)	(522,039)	-	(522,039)
Expenses	(806,456)	(783,253)	(1,589,709)
Operating profit/(loss)	467,424	(427,852)	39,572
Other significant items:			
Share based payments expense	(419,205)	-	(419,205)
Depreciation	(414,631)	(6,809)	(421,440)
Amortisation of intangibles	(62,235)	-	(62,235)
Income tax benefit	18,670	-	18,670
Net loss after tax	(409,977)	(434,661)	(844,638)
30 June 2017	XTD Ltd \$	Contact Light Pty Ltd \$	Total \$
Assets			
Cash & cash equivalents	1,585,331	244,961	1,830,292
Other receivables	124,854	26,073	150,927
Plant and Equipment	2,288,893	7,389	2,296,282
Intangibles	497,875	-	497,875
	4,496,953	278,423	4,775,376
Liabilities			
Other payables	197,260	317,886	515,146
Provisions	19,846	25,799	45,645
Deferred tax liability	149,365	-	149,365
	366,471	343,685	710,156

	December 2017	December 2016
3. EXPENSES		\$
Directors Fees		
Directors fees	94,805	84,872
Directors consultancy fees	38,438	-
Share based payment expense	221,809	204,945
	<u>355,052</u>	<u>289,817</u>
Personnel expenses		
Wages and salaries	412,353	471,352
Superannuation	39,031	43,460
Share based payment expense	498,017	214,260
Other	10,464	-
	<u>959,865</u>	<u>729,072</u>
	31 December 2017	30 June 2017
4. PLANT AND EQUIPMENT	\$	\$
Carrying amount of plant and equipment	<u>1,769,008</u>	<u>2,296,282</u>
Reconciliation:		
Balance at the beginning of the period	2,296,282	2,850,447
Additions	55,083	304,185
Provision for impairment	(236,828)	-
Depreciation expense	<u>(345,529)</u>	<u>(858,350)</u>
Balance at the end of the period	<u>1,769,008</u>	<u>2,296,282</u>
5. INTANGIBLES		
Contract rights	871,285	871,285
Less: Amortisation	<u>(435,645)</u>	<u>(373,410)</u>
	<u>435,640</u>	<u>497,875</u>

6. CONTRIBUTED EQUITY

(a) Share Capital

	December 2017 Shares	June 2017 Shares	December 2017 \$	June 2017 \$
Fully paid	132,986,077	132,986,077	15,891,009	15,891,009

(b) Movements in ordinary share capital:

Period ended 31 December 2017

Date	Details	Number of shares	Issue price	\$
01/07/17	Opening balance	132,986,077		15,891,009
31/12/17	Balance at end of period	132,986,077		15,891,009

Period ended 30 June 2017

Date	Details	Number of shares	Issue price	\$
01/01/17	Opening balance	132,986,077		15,891,009
30/06/17	Balance at end of period	132,986,077		15,891,009

7. SHARE BASED PAYMENTS

As part of the Lunalite acquisition on 19 December 2014, XTD Ltd issued 28,500,076 performance shares to management personnel, the Chairman and a non-executive director. These performance shares were issued in four classes, each with different performance milestones. Each performance share will convert into 1 ordinary share of XTD Ltd upon achievement of the performance milestone.

The company has assessed each class as being probable of being achieved and have therefore recognised an expense over the expected vesting period. Class A and Class B Performance milestones were achieved during the 2017 financial year. Accordingly, the full expense was recognised for 30 June 2017. The details of each class are tabled below:

Class	Number	Start Date	Exercise Price	Expiry Date of Milestone Achievements	Underlying Share Price	Total Fair Value
A	4,500,013	19/12/14	Nil	19/12/16	\$0.20	\$900,003
B	4,500,013	19/12/14	Nil	19/12/16	\$0.20	\$900,003
C	4,500,013	19/12/14	Nil	19/12/17	\$0.20	\$900,003
D	15,000,037	19/12/14	Nil	19/12/19	\$0.20	\$3,000,007

Performance Milestones:

- First revenue to Lunalite from Queensland Contract. This milestone has been met.
- Security mobile application being developed and either being adopted by one rail operator, or achieving a minimum of 200,000 subscribers. This milestone has been met.
- Lunalite generating total revenue of at least \$5 million in any 12 month period. This milestone expires three years from completion of the acquisition (19 December 2017). These performance shares expired during the period without the milestone being achieved. Therefore, the reserve balance was reclassified to accumulated losses.
- Lunalite being awarded an offshore XTD contract of at least 40 screens and that contract being successfully installed and generating revenue to Lunalite. This milestone expires five years from completion of the acquisition (19 December 2019).

The total expense arising from share based payment transactions recognised during the period in relation to the performance shares issued amounts to \$(457,700) (2016: \$419,205).

Issued during the half year:

Incentive Options – Employees and Management - 21 December 2017

A subsidiary of the group, Contact Light Pty Ltd (Contact Light), issued 177,500 incentive options to two individuals. Each incentive option will convert into 1 ordinary share of Contact Light Pty Ltd upon exercise of the options. The company has assessed applicable milestones associated with the options as having been achieved during the period and have therefore immediately recognised the full expense on grant. The determined fair value amounted to \$266,126.

7. SHARE BASED PAYMENTS (continued)

The assessed fair values of the options were determined using a Black-Scholes option pricing model, taking into account the exercise price, term of option, the share price at grant date and expected price volatility of the underlying share, expected dividend yield and the risk-free interest rate for the term of the option. The inputs to the model used were:

Dividend Yield	-
Expected volatility (%)	80
Risk-free interest rate (%)	2.0
Expected life of options (years)	15.0
Option exercise price (\$)	0.001
Share price at grant date (\$)	1.5
Value of option (\$)	1.4993

8. NON-CONTROLLING INTERESTS

	December 2017 \$	June 2017 \$
Interest in:		
Fair value of net assets acquired by the minority	(12,945)	(45,252)
Balance at beginning of period/year	(895,459)	(453,653)
Share of the loss for the current period	(114,468)	(396,554)
Balance at the end of the period/year	<u>(1,022,872)</u>	<u>(895,459)</u>

A subsidiary of the group, Contact Light Pty Ltd (Contact Light), raised funds via a private placement to unrelated parties during the period. Contact Light raised a total of \$342,000 on 15 September 2017. As a result, XTD's ownership of Contact Light has been diluted to 44.40% at reporting date. The non-controlling interest's share of the net operating loss of Contact Light Pty Ltd between 1 July 2017 and 31 December 2017 is \$114,468. The fair value of net liabilities acquired by the minority totals \$12,945 and the excess paid by the minority for the issued shares totalling \$354,945 was transferred to accumulated losses attributable to the owners of XTD Ltd.

9. DIVIDENDS

No dividends have been declared or paid since the start of the financial period and none are recommended.

10. COMMITMENTS & CONTINGENCIES

There are no new commitments, other than those that existed as at 30 June 2017 that the Company has entered into during the period under review.

11. EVENTS OCCURRING AFTER THE REPORTING PERIOD

No matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect:

- (i) the Group's operations in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the Group's state of affairs in future financial years.

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) The financial statements and notes set out on pages 7 to 19 are in accordance with the *Corporations Act 2001*, including:
 - (i) Complying with AASB 134 Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the financial half-year ended on that date; and
- (b) There are reasonable grounds to believe that XTD Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

On behalf of the Directors

A handwritten signature in black ink, appearing to be 'SRW' with a large loop at the end.

Stuart Richardson
Non-Executive Director
Perth, Western Australia
27 February 2018

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF XTD LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of XTD Limited (the company) and controlled entities (consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at 31 December 2017, or during the half year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of XTD Limited is not in accordance with the Corporations Act 2001 including:-

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017, and of its financial performance for the half-year ended on that date; and
- (b) complying with the Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. In accordance with the Corporations Act 2001, we have given the directors' of the company a written Auditor's Independence Declaration.


Directors' Responsibility for the Half-Year Financial Report

The directors' of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the Corporations Regulations 2001 and for such internal 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.

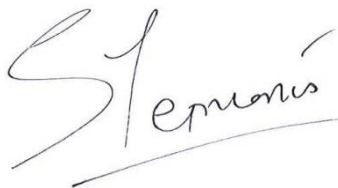
Auditor's Responsibility

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*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half year ended on that date, and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of XTD Limited and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



PKF MACK



SIMON FERMANIS
PARTNER

27 FEBRUARY 2018
WEST PERTH,
WESTERN AUSTRALIA