



International Limited ACN 110 184 355

Corporate Head Office
Ground Floor, 22 Delhi Street
West Perth 6005
ASX Code: TV2

ASX ANNOUNCEMENT

31 October 2016

QUARTERLY REPORT Period Ended 30 September 2016

Highlights

- Successful implementation of the companies lead conversion via its low capex / high margin monetisation strategy with further growth to be completed in the near term
- Phase 2 launch of Karaoke2U with localised content optionality now being rolled out across multiple regions, on time and within budget
- TV2U's managed services platform launches in conjunction with becoming a finalist in the prestigious Managed Services World Congress Awards judged by industry peers
- New launch of real time analytics platform as a white labelled service provides additional revenue generation opportunities both in the OTT sector and other areas
- Continued company focus on the control and completion of larger, higher margin contracts whilst also executing a strategy of joint venturing and revenue share for others
- Preparation for a successful and timely delivery for these opportunities actioned via the strategic 'resourcing up' of engineers and software developers in Lahore, Pakistan now completed
- Strengthening of board and management team has commenced to ensure TV2U has the right team to lead the company through this important phase of growth.

The Board of TV2U International Limited ("TV2U" or "the Company") is pleased to provide the following commentary and Appendix 4C for the Quarter ended 30 September 2016.

During the past quarter, the Company has actioned a clear strategy of maintaining a low capex model whilst generating opportunities within the sector that are usually only made available to major players in the industry. The main reason for this is the Company's technology differential and business strategy that empowers clients to generate revenue from avenues in their business they never thought possible. Our new white labelled analytics service offering at the IBC awards has provided TV2U with several avenues to bring in short term revenues for shareholders of the Company, whilst also assisting in closing certain long term projects that were still being negotiated.

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Whilst the Company recognises and accepts the label as a “start up” company, we were pleased to also successfully generate first revenues from our Karaoke2U application launch and will be excited to see the growth in both subscriber numbers and revenues post the phase two roll out which is underway.

During the quarter the Company was also humbled to become a finalist in the Managed Services World Congress Awards. The Innovation Award finalist award is given to a company that best exemplifies innovation in technology, business change or operational transformation. TV2U, which was nominated for its Intelligent Video Accessible Network (IVAN), joins other leading companies such as Chinese mobile device company Huawei, NEC subsidiary Netcracker Technology and telecommunications leaders Vodaphone and Nokia as shortlisted finalists.

Recent announcements have highlighted a successful September 2016 quarter with the conversion of sales leads into contracted business opportunities around the globe. To achieve these outcomes, there has been an investment in resources required over the quarter. The team of technical staff in Lahore have been developed over the quarter to ensure these contracts are executed effectively and efficiently in the coming months.

The Board is aware of the cash position of the Company and is at this stage comfortable with this, as it would like to avoid highly dilutive capital programs during these times of growth. With this focus and strategy for market capitalisation appreciation and the implementation of some solid growth contracts, it has begun discussing several non-equity based/non-dilutive financing options that have been offered on the back of the recent transactions.

The Company thanks shareholders for their patience in recent months and looks forward to ensuring a successful re-rating of the Company’s market capitalisation via the completion and delivery of its “emerging markets and beyond” OTT service delivery growth strategy.

KEY AGREEMENTS & BUSINESS OPPORTUNITIES

PT. PGAS Telekomunikasi Nusantara

On 26 October 2016, the Company signed a Heads of Agreement (HOA) with PT. PGAS Telekomunikasi Nusantara (PGAS) to deliver white labelled interactive OTT managed service into to the region of Indonesia, the world’s fourth most populous country.

PGAS will pay US\$3.5 million and a monthly management fee per active subscriber to TV2U to cover the cost of expanding the Company’s platform and management of services into the region of Indonesia, which has a population of 250 million. PGAS is a subsidiary of the Indonesian government-owned PT. Perusahaan Gas Negara (Persero) Tbk (PGN), the largest natural gas transportation and distribution company in Indonesia. PGN generated more than US\$3 billion in revenue in 2015.

Under the agreement, PGAS’s business customers will be able to on-sell TV2U entertainment services including video-on-demand, games, music and karaoke. Revenue will be generated through a monthly subscription fee, pay-per-view and personalized advertising. The Indonesian group will also be able to bundle the TV2U entertainment offering with

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its existing gas, telephony and data services allowing PGAS to offer a “quadruple play” offering to its new and existing customers

Karaoke2U

TV2U’s Karaoke2U App has now launched across the Commonwealth of Independent States (CIS) Region, Malaysia, Thailand, UK, New Zealand and Australia. The Company is poised to roll-out the K2U App into Indonesia, the world’s 4th most populous region, following the successful soft launch of the App in Australia, New Zealand, Thailand and Malaysia. Indonesia has been selected due to its population size and cultural similarities with Malaysia, where the App has already enjoyed a great uptake.

After the initial soft launch the Company is now preparing for an official global online marketing campaign over the coming months to coincide with the major feature rich upgrade of K2U completed in September which includes Karaoke performance video publishing, sharing of content, chat and friends features, which will boost downloads, subscriber numbers and revenue.

Appointments To Assist With Contract Completion and Growth

The Company also appointed Mr Peter Cunningham as Chief Operating Officer of TV2U and has more than 30 years of experience in the broadcast and professional video industry. He has held various strategic and managerial positions with major digital service providers and manufacturers including Abekas, Imagine Communications (formerly Harris Broadcast), and Digital Rapids.

Mr Cunningham demonstrates strong project management skills, which he has honed over the years by managing some of the largest IPTV and OTT projects for various high-profile clients in Europe and the U.S. The appointment of Mr Graham Durtanovich brings extensive financial management experience from a large private enterprise within the construction industry, where he previously held the role of Chief Financial Officer and was responsible for the financial administration, strategic planning, risk analysis and Corporate Governance of the Company.

As part of the Company’s monetization strategy, the completion of the Second Phase development allows for the rollout of our full digital marketing strategy.

Specialists in the ‘interactive video for mobile’ space, Brand TV Media have been engaged to develop and implement digital marketing, SEO and social media strategies to target the entertainment marketplace by region and demographic and drive mass downloads of the Karaoke2U app.

The Brand TV Media team brings with it many years of experience in the digital marketing, online and optimization spaces with a demonstrated history of providing well researched, targeted marketing solutions through the use of community minded, social media engagement and third-party endorsement focused communications models.

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Divan.TV Collaboration

TV2U has commenced content delivery through its collaboration agreement with Divan.TV, with TV2U content currently being marketed to Divan's one million plus users across Russia and the Commonwealth Independent States (CIS). The collaboration agreement with Divan.TV enables TV2U content to be delivered into the region via a trusted and fully operational partner.

As part of the next phase, Divan.TV and TV2U International continue to negotiate Hollywood content rights for Russia and Ukraine as the first launch countries for the service within the CIS region.

Obtaining the most economically viable pricing for any new and underserved country launches, is a company priority to ensure the financial model is sound and to maximize our potential subscription base in each region via an attractive costing and content package. TV2U is comfortable with the pricing guides it has received for delivery into Russia, one of our key markets for service delivery, however the Company is still finalizing the best pricing schedule for launch into Ukraine. The discussions are progressing well and the Company will update the market once these negotiations are completed.

The Divan collaboration is on track and focused to make a joint service within the CIS region economically viable for both companies by the diligent negotiation of pricing for content into this under serviced growth region.

Toomai Africa OTT Managed Service Contract

During the September quarter, telecoms provider NPBB GROUP, LLC through its subsidiary Toomai Broadcasting Telecommunications Corporation Ltd (Toomai) selected TV2U to provide its OTT service. Toomai is a new business with NPBB GROUP developing this business over the last 2 years.

This service provision will be for a bespoke white labelled cloud-based interactive OTT/IP managed services as its provider for the delivery of international and regional linear, on-demand, and Karaoke content. TV2U will deliver the ultimate personalized interactive entertainment viewer experience through real-time viewership and social media analytics.

The analytics provided by TV2U's integrated platform will give NPBB GROUP, LLC via its subsidiary Toomai, detailed insights about its customers, providing an overview of their demographics and location as well as their viewing habits including what content they are consuming, when, where and over what device. By the analysis of data, the partnership can turn data into insight, insight into intelligence, intelligence into action and actions into results, maintaining viewer engagement from the recommendation of content and entertainment to highly personalized targeted advertising.

TV2U reached and agreed commercial terms with Toomai, for the engineering and launch of this service which includes;

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- Upfront CAPEX payment in excess of \$1,000,000 for the head-end expansion at TV2U's head end at NTT Japan's data centre in KL Malaysia.
- Managed service fee based each active subscriber per month with a minimum guaranteed number of subscribers.
- Cost of Content provisioning and delivery.
- Revenue share on karaoke and advertising.

TV2U is finalising the structure and timing schedule for the first-round payments to occur and will update shareholders shortly. The Company also reiterates no funds or work has commenced until the Company receives the first payment on this project.

Recent key announcements to the market is an endorsement of TV2U's disruptive technology and business concepts in the OTT market. By providing a cloud managed service that attracts, wins and retains customers, using disruptive personalised managed campaigns and providing a set of software tools that empower our clients to proactively drive revenue generation while reducing churn rates by maintaining existing customer retention with the addition of content acquisition on behalf of our customers provides a unique selling proposition to the industry.

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About TV2U

TV2U is a global complete entertainment platform that enables businesses, such as telecommunications companies, to quickly and easily offer streaming content to their customers. The service includes movies, television programs, karaoke content and games through an encrypted channel for enhanced copyright protection. TV2U also offers unique real-time viewership analytics to enable businesses to send highly targeted advertising to end-users to maximise their revenue streams. TV2U is changing the face of online entertainment and advertising.

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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

TV2U International Limited

ABN

73 110 184 355

Quarter ended ("current quarter")

30 September 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) research and development	(133)	(133)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(43)	(43)
(d) leased assets	-	-
(e) staff costs	(438)	(438)
(f) administration and corporate costs	(642)	(642)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	4
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,252)	(1,252)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(72)	(72)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(72)	(72)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from loyalty entitlement issue	159	159
3.4 Transaction costs related to issues of shares, convertible notes or options	(20)	(20)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	139	139

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	2,606	2,606
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,252)	(1,252)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(72)	(72)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	139	139

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	1,421	1,421

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	1,421	2,606
5.2	Call deposits	-	-
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)	1,421	2,606

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
67
-

All transactions involving directors and associates were on normal commercial terms.

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
-
-

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	-	-
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.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(120)
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	(40)
9.4 Leased assets	-
9.5 Staff costs	(400)
9.6 Administration and corporate costs	(360)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(920)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	N/A	N/A
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:


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(Company secretary)

Date: 31 October 2016

Print name: Sarah Smith

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.