

ASX HALF-YEAR REPORT

migme Limited

ABN 43 059 457 279

For the half-year ended 30 June 2016

Lodged with the ASX under Listing Rule 4.2A

This information should be read in conjunction with the 31 December 2015 Annual Report and any announcements made to the market by migme Limited during the half-year ended 30 June 2016

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migme Limited

Half-year ended 30 June 2016

(Previous corresponding period being the half-year ended 30 June 2015)

Results for announcement to the market

	Half-year ended 30 June 2016 \$	Half-year ended 30 June 2015 \$	Change %
Revenue <i>(Appendix 4D item 2.1)</i>	14,921,671	3,029,095	393
Loss for the half-year after tax attributable to members <i>(Appendix 4D item 2.2)</i>	(13,623,682)	(8,808,103)	55
Net Loss for the period attributable to members <i>(Appendix 4D item 2.3)</i>	(13,623,682)	(8,808,103)	55
Dividends <i>(Appendix 4D item 2.4)</i>	-	-	N/A

Overview

For the half year to 30 June 2016, migme Limited (“Group” or “migme”) continues to advance its business strategy in the east Asian emerging markets including Indonesia, Philippines and India by further growing its user base and enhancing its digital entertainment platform. Key highlights for the Group include:

- Monthly active users (“MAU”) as at 30 June 2016 are over 43 million representing growth of 34% from 31 December 2015;
- Revenue from operations of \$14.922 million representing a 63% increase on revenue for the 6 months to 31 December 2015; and
- Number of artists and verified users increased to approximately 2,900 at the end of 30 June 2016 representing a growth of 368% from the number of artists and verified users at 31 December 2015.

migme is placing an increased focus on user engagement and improving the quality of revenues whilst growing its user base. At the same time progress has been made with content creators, community events and handset preinstalls. The Group’s focus has shifted towards pursuing quality of execution, as opposed to absolute growth numbers.

The Group’s short term focus is now centred on deepening user engagement, monetisation and profitability, with a returning emphasis to headline user growth in late 2016/early 2017. migme is encountering numerous cases where there is comparable or higher levels of relative user engagement in migme, when compared to alternate platforms such as Facebook. migme’s attention has shifted to the quality and repeatability of these cases, both directly and indirectly through our artist and partner programs.

migme Limited

Half-year ended 30 June 2016

(Previous corresponding period being the half-year ended 30 June 2015)

Overview (Cont.)

During the first half of 2016, migme commenced the integration of ecommerce onto its platform, firstly through the completed acquisition of Indonesian ecommerce business, Shopdeca, and secondly through the launch of migShop. Both these initiatives established the central framework for the Group's expansion into social ecommerce. In particular, migShop, when combined with the artist and key influencer engagement programs, lends itself to the successful delivery of social ecommerce services as a means to drive user engagement and sales.

The first half of 2016 also saw one of the world's leading photo app developers, Meitu Investment Limited, become a substantial shareholder. The partnership with Meitu is expected to contribute towards the Group's long term strategy of building a social entertainment platform for the next wave of Internet users coming online in the emerging markets.

Revenue *(Appendix 4D item 2.6)*

Revenue for the half year increased by \$11.892 million or 393% when compared to the half-year ended 30 June 2015. The increase was driven by the following key factors:

- Growth in Monthly Active Users (MAU);
- Further partnering with artists/celebrities and media enterprises in emerging markets driving user participation;
- The acquisition of Hipwee and Shopdeca businesses;
- Establishment of an ecommerce platform; and
- The addition of payment channels that facilitated payments by users in the emerging markets who previously had limited payment options.

Explanation of loss for the half-year after tax *(Appendix 4D item 2.6)*

The loss for the half-year increased by \$4.816 million or 55% due to the following:

- Revenue increased by \$11.892 million or 393% due to the reasons explained above;
- Cost of sales increased by \$14.272 million or 210% due to higher cost of sales from products, higher infrastructure costs, higher artists/gaming revenue share and increased investment in the operating teams in the target markets (refer to note 5 in the Interim Financial Statements);
- Research and development expenses increased by \$0.097 million or 6% as the Group continued to invest in the development of the platform;
- Administrative expenses increased by \$1.549 million or 50% due to higher occupancy and general administrative expenses as the Group deployed into the target markets, higher professional fees largely due to recruitment, compliance and regulatory costs;
- Other expenses increased by \$0.385 million or 157% due to non cash fair value expense in relation to the embedded derivative in the convertible note, and realised and unrealised foreign exchange losses; and
- Finance costs increased by \$0.417 million due to interest expense on convertible notes of \$0.175 million and the unwinding of interest on the derivative financial liability of \$0.242 million.

migme Limited

Half-year ended 30 June 2016

(Previous corresponding period being the half-year ended 30 June 2015)

Outlook

migme believes in the potential of creating a mobile entertainment business focussed on the Asian market. The recent success of LINE's IPO on the Tokyo and New York stock exchanges provides proof that this business strategy works and migme is looking to build a company of comparable stature.

In the second half of 2016, migme intends to continue to grow headline MAU and revenue, whilst deepening user engagement. The Group will also look to introduce more games and apps, build customer loyalty and - where game/apps have premium markets inside of them - help drive monetisation through users purchasing in-game credits.

On 19 August, the migme completed a \$10 million raising from which migme received \$2 million from Meitu, \$4.5 million from strategic investors including FIH Mobile Limited (Foxconn), PT Media Nusantara Tbk (MNC) and Malcolm Steinberg (proprietor of the LAI Group) and a further \$3.7 million from sophisticated investors.

The Group will continue to focus on reducing operating cash outflows and improving operating margins. Following recent upgrades to migme's platform and subject to market conditions and business risks, the funds raised will be applied to generate further growth, user engagement and monetisation, which in turn is expected to deliver cash flow positive operations in 2017.

migme Limited

Interim Financial Statements For the Half-Year Ended 30 June 2016

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migme Limited

Directors' Report

The Board of Directors of migme Limited (the Group) present their report in respect of the financial half-year ended 30 June 2016.

Directors

The names of the Directors of the Group in office during the whole of the half-year and up to the date of this report, unless otherwise indicated, are:

Andi Zain	Non-Executive Chairman (Appointed 13 July 2016) Non-Executive Director
Howard Dawson	Chairman (resigned 31 May 2016)
Steven Goh	Executive Director & CEO
Yen Chang (Charles) Pan	Executive Director
Dmitry Levit	Non-Executive Director (resigned 5 May 2016)
John Lee	Non-Executive Director
Yichin Lee	Non-Executive Director
Stephen Llanwarne	Non-Executive Director
Po-Hsiang Wang	Non-Executive Director (appointed 24 August 2016)
Chieh Suang Khor (alternate Director to Mr Dmitry Levit)	Non-Executive Director (resigned 5 May 2016)

Principal Activities

migme Limited is a digital media group focused on the emerging markets. The Group is headquartered in Singapore and listed on the Australian Securities Exchange (ASX) and German Börse. The migme platform features chat, chatrooms, virtual gifts, avatars, games, microblogging, social entertainment and ecommerce for mobile devices and the web – with monetisation tools applicable for the emerging markets.

Review of Operations and Financial Results

The Group has recorded as loss after tax of \$13.624 million for the half-year ended 30 June 2016 (2015: loss after tax of \$8.808 million). Please refer to pages 2 and 3 for the explanation of the operations and financial results for the half-year ended 30 June 2016.

Significant changes in the state of affairs

Please refer to pages 2 and 3 for key events that took place during the half-year ended 30 June 2016. In addition, please refer to note 2 (Going Concern) and note 9 (Business Combinations) of the interim financial statements.

On 19 August 2016, migme Limited announced that it had completed the raising of \$10.226 million (before costs) of which \$2.018 million was received prior to 30 June 2016. The capital raise resulted in the issue of 25,564,879 fully paid shares at an issue price of \$0.40 per share. In addition and subject to the receipt of shareholder approval, CEO of migme Limited Steven Goh, has agreed to subscribe for 250,000 shares at an issue price of \$0.40 per share.

Auditor's Independence Declaration

A copy of the lead auditor's independence declaration, as required under section 307C of the Corporations Act 2001 is provided immediately after this report.

The Directors' report is signed in accordance with a resolution of the Board of Directors.

Steven Goh
24 August 2016

Auditor's Independence Declaration to the Directors of migme Limited

As lead auditor for the review of migme Limited for the half-year ended 30 June 2016, I declare 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.

This declaration is in respect of migme Limited and the entities it controlled during the financial period.



Ernst & Young



T G Dachs
Partner
24 August 2016

migme Limited
Interim Consolidated Statement of Profit or Loss and Other
Comprehensive Income
For the half-year ended 30 June 2016

	Notes	Half-Year	
		2016 \$	2015 \$
Revenue	5	14,921,671	3,029,095
Other operating income		33,884	17,914
Cost of sales	5	(21,052,583)	(6,780,234)
Research and development expenses	5	(1,841,963)	(1,744,692)
Administrative expenses	5	(4,633,252)	(3,083,916)
Other expenses	5	(630,454)	(245,236)
Finance costs	5	(417,321)	-
Loss before tax		(13,620,018)	(8,807,069)
Income tax expense		(3,664)	(1,034)
Loss for the half-year		(13,623,682)	(8,808,103)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Items that are or may be reclassified to profit or loss			
Foreign currency translation		63,205	63,804
Fair value adjustments on assets	5	-	170,229
Other comprehensive income, net of tax		63,205	234,033
Total comprehensive loss		(13,560,477)	(8,574,070)
Loss attributable to owners of the Group		(13,623,682)	(8,808,103)
Total comprehensive loss attributable to owners of the Group		(13,560,477)	(8,574,070)
Loss per share (cents per share)			
Basic loss per share	11	(0.05)	(0.03)
Diluted loss per share	11	(0.05)	(0.03)

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

migme Limited
Interim Consolidated Statement of Financial Position
As at 30 June 2016

	Note	30 June 2016 \$	Restated* 31 December 2015 \$
ASSETS			
Current assets			
Cash and cash equivalents		4,658,465	8,658,446
Prepayments		149,262	251,432
Inventories		257,183	100,363
Income tax receivable		8,430	9,709
Trade and other receivables	6	738,578	399,451
Total current assets		5,811,918	9,419,401
Non-current assets			
Leasehold improvements and equipment		622,981	582,761
Goodwill	9	2,164,985	325,875
Other non-current assets		193,195	168,189
Total non-current assets		2,981,161	1,076,825
Total assets		8,793,079	10,496,226
LIABILITIES			
Current liabilities			
Trade and other payables		2,239,306	1,693,669
Provisions		275,704	209,016
Deferred revenue		503,940	318,456
Contingent consideration	7	67,195	710,302
Convertible notes	8	350,000	350,000
Total current liabilities		3,436,145	3,281,443
Non-current liabilities			
Convertible notes	8	2,437,305	2,190,668
Convertible notes – derivative financial liability	8	1,118,250	851,773
Total non-current liabilities		3,555,555	3,042,441
Total liabilities		6,991,700	6,323,884
Net assets		1,801,379	4,172,342
EQUITY			
Contributed equity	12	105,797,648	95,272,002
Reserves	13	11,890,099	11,163,026
Retained loss		(115,886,368)	(102,262,686)
Total equity		1,801,379	4,172,342

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

* Certain amounts shown here do not correspond to the 2015 financial statements and reflect adjustments made (refer note 1).

migme Limited

Interim Consolidated Statement of Changes in Equity

For the half-year ended 30 June 2016

	Issued capital \$	Share based payment reserves \$	Foreign Currency Translation Reserve \$	Convertible note equity reserve \$	Accumulated losses \$	Total \$
Balance as at 1 January 2016	95,272,002	7,685,899	3,477,127	202,353	(102,250,217)	4,387,164
Restatement of comparatives (note 1)	-	-	-	(202,353)	(12,469)	(214,822)
Restated as at 1 January 2016*	95,272,002	7,685,899	3,477,127	-	(102,262,686)	4,172,342
Comprehensive income						
Loss for the half-year	-	-	-	-	(13,623,682)	(13,623,682)
Foreign currency translation movement	-	-	63,205	-	-	63,205
Total comprehensive loss for the half-year	-	-	63,205	-	(13,623,682)	(13,560,477)
Transactions with owners of the Group						
Recognition of share based payments	-	645,698	-	-	-	645,698
Issue of options for Hipwee acquisition	-	18,170	-	-	-	18,170
Issue of share capital (note 12)	10,860,051	-	-	-	-	10,860,051
capital raising costs (note 12)	(334,405)	-	-	-	-	(334,405)
Balance as at 30 June 2016	105,797,648	8,349,767	3,540,332	-	(115,886,368)	1,801,379

* Certain amounts shown here do not correspond to the 2015 financial statements and reflect adjustments made (refer note 1).

migme Limited

Interim Consolidated Statement of Changes in Equity (cont.)

For the half-year ended 30 June 2015

	Issued capital \$	Share based payment reserves \$	Foreign Currency Translation Reserve \$	Mark-to- market reserve \$	Accumulated losses \$	Total \$
Balance as at 1 January 2015	78,592,668	4,696,665	3,510,329	-	(81,206,992)	5,592,670
Comprehensive income						
Loss for the half-year	-	-	-	-	(8,808,103)	(8,808,103)
Foreign currency translation movement	-	-	63,804	-	-	63,804
Fair value adjustments on assets	-	-	-	170,229	-	170,229
Total comprehensive loss for the half-year	-	-	63,804	170,229	(8,808,103)	(8,574,070)
Transactions with owners of the Group						
Recognition of share based payments	-	922,744	-	-	-	922,744
Issue of share capital	7,267,100	-	-	-	-	7,267,100
Capital raising costs	(446,533)	-	-	-	-	(446,533)
Balance as at 30 June 2015	85,413,235	5,619,409	3,574,133	170,229	(90,015,095)	4,761,911

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

migme Limited

Interim Consolidated Statement of Cash Flows

For the half-year ended 30 June 2016

	Note	Half-Year	
		2016 \$	2015 \$
Cash flows from operating activities			
Receipts from customers		14,727,347	3,325,650
Payments to suppliers and employees		(25,450,200)	(10,782,582)
Income taxes paid		(1,949)	(8,698)
Net cash used in operating activities		(10,724,802)	(7,465,630)
Cash flows from investing activities			
Acquisition of leasehold improvement and equipment		(192,222)	(121,148)
Acquisition of intangible assets		-	(77,398)
Acquisition of subsidiaries	9	(1,058,090)	-
Repayment of convertible notes		-	465,394
Net cash from/(used) in investing activities		(1,250,312)	266,848
Cash flows from financing activities			
Issuance costs paid on convertible notes		(140,000)	-
Interest paid on convertible notes		(170,686)	-
Proceeds from issue of shares		8,495,052	6,553,467
Proceeds from exercise of share options		67,696	23,198
Net cash from financing activities		8,252,062	6,576,665
Net (decrease)/increase in cash and cash equivalents		(3,723,052)	(622,117)
Cash and cash equivalents at 1 January		8,658,446	5,926,090
Effect of movements in exchange rates on cash held		(276,929)	84,677
Cash and cash equivalents at 30 June		4,658,465	5,388,650

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

migme Limited

Notes to the Consolidated Financial Statements

For the half-year ended 30 June 2016

1. Basis of Preparation of Half-Year Financial Statements

migme Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX: MIG) and a secondary listing on the Deutsche Börse (WKN: A117AB).

migme Limited is a digital media group focused on emerging markets. The migme platform features chat, chatrooms, virtual gifts, avatars, games, microblogging, social entertainment and ecommerce for mobile devices and the web – with monetisation tools applicable for emerging markets.

The financial statements of the Group are for the half-year ended 30 June 2016 and are presented in Australian Dollar (AUD), which is the functional currency of the Group. These general purpose interim financial statements have been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 Interim Financial Reporting. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2015 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the Corporations Act 2001.

The financial statements have been approved and authorised for issue by the Board of Directors on 24 August 2016.

Restatement of comparative information

The comparative information in the consolidated statement of financial position has been restated due to the reclassification of the amount held in the convertible note reserve to a derivative financial liability. This adjustment was made for the derivative financial liability embedded in the convertible notes issued on 17 December 2015, to ensure compliance with Australian Accounting Standards.

The restatement adjustments for each of the affected 31 December 2015 financial statements line items for the period year end are as follows:

	31 December 2015 – Restated	31 December 2015 – previously stated
	\$	\$
Liability		
Convertible notes	2,540,668	3,177,619
Convertible notes – derivative financial liability	851,773	-
Total	3,392,441	3,177,619
Equity		
Convertible note reserve	-	202,353
Retained earnings	(102,262,686)	(102,250,217)

The adjustment to retained earnings is a result of unwinding interest of \$12,469. The restatements did not impact the income statement and other comprehensive income for the current period.

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Notes to the Consolidated Financial Statements

For the half-year ended 30 June 2016

2. Going Concern

The financial report has been prepared on the going concern basis which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group has incurred a net loss after tax for the half-year ended 30 June 2016 of \$13,623,682 (2015: \$8,808,103), and a net cash outflow from operating activities of \$10,724,802 (2015: \$7,465,630). As at 30 June 2016, the Group has a working capital surplus of \$2,375,773 (2015: \$6,137,958).

The Directors consider they have a reasonable basis to prepare the financial statements on a going concern basis after taking into consideration the following pertinent matters:

- As at 30 June 2016, the Group has a working capital surplus of \$2,375,773 (2015: \$6,137,958);
- Subsequent to period end, on 19 August 2016, the Group successfully completed a capital raising of \$10.226 million (before costs) of which \$2.018 million has been received prior to 30 June 2016;
- Should the Directors require funding to meet the Group's ongoing financial commitments over the course of the next 12 months, they are satisfied that this can be achieved through equity raisings from the issue of new shares; and
- The Group's ability to generate sufficient increases in customer receipts to cover ongoing expense disbursements which includes product upgrades and the introduction of more games and apps.

Should the Group not be able to execute the strategies set out above, there would be significant uncertainty that the Group could continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. This report does not include any adjustments relating to the recoverability or reclassification of recorded asset amounts nor the amounts or reclassification of liabilities that might be necessary should the Group not be able to continue as a going concern.

migme Limited

Notes to the Consolidated Financial Statements

For the half-year ended 30 June 2016

3. Significant Accounting Policies

The financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year end 31 December 2015 except for the following accounting standards that have been applied to the financial statements for the half-year ended 30 June 2016:

Reference	Title	Summary	Application date of standard
AASB 7	Financial Instruments Disclosure	Applicability of the amendments to AASB 7 to condensed interim financial statements – clarify that the additional disclosure required by the amendments to AASB 7 Disclosure – Offsetting Financial Assets and Financial Liabilities is not specifically required for all interim periods. However the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with AASB 134 Interim Financial Reporting when its inclusion would be required by the requirements of AASB 134	1 January 2016
AASB 101	Disclosure initiative: Amendments to AASB 101	The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's disclosure initiative project. The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.	1 January 2016

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these financial statements.

The Group has considered the implications of new or amended Accounting Standards, but determined that their application for the financial statements is either not relevant or not material.

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Notes to the Consolidated Financial Statements

For the half-year ended 30 June 2016

4. Estimates

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 31 December 2015.

5. Revenue and expenses

Cost of sales

The Group's cost of sales consists primarily of expenses associated with the delivery and distribution of products. These include expenses related to the operation of data centres, energy and bandwidth costs, salaries, benefits, and share-based compensation for employees from our operations teams. Cost of sales also includes costs associated with revenue share arrangements with migme's partners, marketing costs and cost of products sold.

Research and development

Research and development expenses consist primarily of share-based compensation, salaries and benefits for employees from migme's engineering and technical teams who are responsible for building new products as well as improving existing products. The Group expenses all research and development costs as they are incurred.

Administrative expenses

Administrative expenses consist primarily of salaries, benefits and share-based compensation for certain of migme's executives as well as finance, human resources, and other administrative employees. In addition, administrative expenses include professional and legal services, occupancy costs, travel costs and depreciation and amortisation of leasehold improvements and equipment.

	Half-Year	
	2016	2015
	\$	\$
Revenue		
Sale of virtual and physical goods and games	14,921,671	3,029,095
Cost of Sales		
Infrastructure, revenue share and cost of products expenses	(16,633,122)	(3,051,894)
Employee benefits expense excluding share based payment expense	(3,180,310)	(2,514,445)
Share based payment expense	(525,065)	(356,964)
Marketing expenses	(714,086)	(856,931)

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Notes to the Consolidated Financial Statements

For the half-year ended 30 June 2016

5. Revenue and expenses (cont.)

	Half-Year	
	2016	2015
	\$	\$
Research and development expenses		
Employee benefits expense excluding share based payment expense	(1,731,291)	(1,657,892)
Share based payment expense	(110,672)	(86,800)
Administrative expenses		
Employee benefits expense excluding share based payment expense	(966,448)	(789,854)
Share based payment expense	(674,016)	(478,979)
Other administration expenses (occupancy, professional fees, travel, and general administrative expenses)	(2,802,845)	(1,686,921)
Depreciation and amortisation	(189,943)	(128,161)
Other expenses		
Unrealised and realised foreign exchange gains/(losses)	(363,977)	90,130
Fair value adjustment on derivative liability of convertible note	(266,477)	-
Goodwill impairment	-	(335,366)
Finance costs		
Interest expense on convertible note	(175,000)	-
Unwinding of interest expense on convertible note liability	(242,321)	-
Fair value adjustment on assets		
Level 1 – available for sale financial assets – asset has been disposed during the half-year ended 30 June 2016	-	170,229
<p>This amount represents the fair value adjustment of investment in Coronet Metals Inc. which was held by Westmag Resources Ltd, a company that was previously a 100% owned subsidiary of migme.</p>		

migme Limited

Notes to the Consolidated Financial Statements

For the half-year ended 30 June 2016

6. Trade and Other Receivables

	Half-Year	
	2016	2015
	\$	\$
Trade receivables	404,902	21,580
Other receivables	333,676	377,871
Total	738,578	399,451

Trade and other receivables are non-interest bearing and generally on 30-60 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. As at 30 June 2016, no amounts are past due or impaired.

7. Contingent Consideration

Contingent consideration balance as at 30 June 2016 consists of \$67,915 (US \$50,000 as per the share purchase agreement) for the acquisition of LoveBytes Pte Ltd on 16 October 2014.

Deferred consideration balance as at 31 December 2015 consisted of the following:

- Fair value of 725,186 migme shares to be issued were valued at \$641,790 for the acquisition of PT Hipwee Media Solutions; and
- Deferred cash consideration amounting to \$68,512 for the acquisition of LoveBytes Pte Ltd on 16 October 2014.

8. Financial Instruments

Fair Value

Set out below is comparison, by class, of the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts which are reasonable approximations of fair values:

	Half-Year			
	Carrying Amount		Fair Value	
	2016	2015 –	2016	2015 –
	\$	Restated	\$	Restated
		\$		\$
Assets measured at fair value				
Listed securities (available for sale)	-	10,708	-	10,708
Liabilities measured at fair value				
Derivative financial liability	1,118,250	851,773	1,118,250	851,773
Liabilities for which fair value are disclosed				
Convertible notes	2,787,305	2,540,668	2,787,305	2,540,668
Total	3,905,555	3,392,441	3,905,555	3,392,441

migme Limited

Notes to the Consolidated Financial Statements

For the half-year ended 30 June 2016

8. Financial Instruments (Cont.)

Fair Value Hierarchy

AASB 13 requires disclosure of fair values in accordance with the fair value hierarchy as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities
- **Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- **Level 3:** inputs for the asset or liability that is not based on observable market data (unobservable inputs)

The Group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2016 and 31 December 2015 on a recurring basis are as follows:

As at 30 June 2016	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Liabilities measured at fair value				
Convertible Note – Derivative Financial Liability	-	1,118,250	-	1,118,250
Total liabilities	-	1,118,250	-	1,118,250

There has been no transfers between Level 1, Level 2 or Level 3 during the period.

As at 31 December 2015 - restated	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Listed securities (available for sale)	10,708	-	-	10,708
Total assets	10,708	-	-	10,708
Liabilities measured at fair value				
Convertible Note – Derivative Financial Liability	-	851,773	-	851,773
Total liabilities	-	851,773	-	851,773

Valuation method and assumptions

The Black-Scholes model was used to estimate the fair value of the conversion feature of the convertible note. The various inputs include share price volatility and the share price of conversion.

migme Limited

Notes to the Consolidated Financial Statements

For the half-year ended 30 June 2016

8. Financial Instruments (Cont.)

Reconciliation of fair value measurement of embedded derivative liability

	Embedded Derivative Liability \$
As at 1 January 2016	851,773
Remeasurement recognised in profit and loss	266,477
As at 30 June 2016	1,118,250

9. Business Combinations

PT Shopdeca Global Acquisition

On 31 March 2016, the Group completed the acquisition of an Indonesian ecommerce business ("PT Shopdeca Global"). The Group does not own an equity interest in PT Shopdeca Global however the Group has assessed and determined that it has met the 'control' criteria in accordance with AASB 10. Hence the Group has consolidated the financial statements of PT Shopdeca Global. PT Shopdeca Global is an ecommerce company based in Indonesia.

Provisional goodwill arising from the acquisition has been recognised as follows:

	\$
Cash paid	933,464
Shares issued	657,054
Consideration transferred	1,590,518
Less: provisional fair value of identifiable assets acquired	(68,655)
Provisional goodwill arising on acquisition	1,521,863

The cash consideration was funded through the cash reserves of the Group.

The goodwill of \$1,521,863 comprises the value of trademarks and domains, which have not been separately identified. Further work will be undertaken to determine the fair value of the identifiable intangible assets acquired and as a result, the provisional goodwill of \$1,521,863 may change.

migme Limited
Notes to the Consolidated Financial Statements
For the half-year ended 30 June 2016

9. Business Combinations (Cont.)

The provisional fair value of identifiable assets acquired and liabilities assumed at acquisition date were as follows:

	\$
Assets	
Cash and cash equivalents	38,352
Inventories	103,719
Other assets	48,541
Leasehold improvements and equipment	14,539
Total assets	205,151
Liabilities	
Trade and other payables	134,370
Deferred revenue	2,125
Total liabilities	136,495
Provisional fair value of identifiable net assets acquired	68,656

Purchase consideration – the outflow of cash to acquire the business, net of cash acquired:

	\$
Purchase consideration paid	933,464
Less: cash acquired	(38,252)
Net outflow of cash	895,212

The Group issued 884,270 fully paid ordinary shares and paid \$933,464 as total consideration for the acquisition. At acquisition date, the fair value of the shares was calculated at \$0.743 per share and the fair value of the consideration given was therefore \$657,054.

The acquired business contributed revenues of \$1,123,685 and a net loss after tax of \$121,910 to the Group for the period from the date of acquisition to 30 June 2016.

If the acquisition had occurred on 1 January 2016, Group revenues would have been \$15,391,838 and the net loss after tax would have been \$12,568,947 (including costs in relation to acquisition of \$162,978 after tax).

Direct costs relating to the acquisition totalling \$162,978 have been recognised as operating expenses in the Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2016.

Due to the proximity of the transaction to the reporting date, the initial accounting for the business combination was incomplete at the reporting date. Accordingly, the Group has recognised the fair value of assets acquired and liabilities assumed on a provisional basis.

migme Limited

Notes to the Consolidated Financial Statements

For the half-year ended 30 June 2016

9. Business Combinations (Cont.)

Acquisition in 2015 – PT Hipwee Media Solutions

In 2015, the Group completed the acquisition of PT Hipwee Media Solutions, an Indonesian social news site. The Group does not own an equity interest in PT Hipwee Media Solutions however the Group has assessed and determined that it has met the 'control' criteria in accordance with AASB 10. Hence, the Group has consolidated the financial statements of PT Hipwee Media Solutions.

Provisional goodwill arising from the acquisition has been recognised as follows:

	\$
Shares issued	641,790
Options granted	18,170
Total consideration paid	659,960
Less: fair value of identifiable assets acquired	(16,838)
Provisional goodwill arising on acquisition	643,122

The goodwill of \$643,122 comprises the value of trademarks and domains, which is not separately recognised. Further work will be undertaken to identify the fair value of intangible assets acquired and as a result, the provisional goodwill of \$643,122 may change.

As part of the purchase agreement and in addition to the consideration paid as at 31 December 2015, options were granted to acquire 50,000 migme Limited shares at an exercise price determined based on the 90 day VWAP post-completion. The option granted was valued at acquisition date at \$18,170.

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Notes to the Consolidated Financial Statements

For the half-year ended 30 June 2016

10. Segment Reporting

a) Basis for segmentation

The operating segments presented reflect the manner in which the operations and performance of the Group is reviewed and managed internally. The financial information is reported to the chief operating decision maker, the CEO. For the interim period, there is only one operating segment for the Group, which is the social media platform business which incorporates various products for migme's customers' utilisation and enjoyment.

b) Information about geographical regions

There are two geographic regions for the reportable segment as follows:

Geographic regions	Operations
South Asia	Represents operations in Indonesia, Singapore, Malaysia, India, Nepal, Hong Kong and Philippines.
Others	Represents operations in countries not specified above.

30 June 2016	South Asia \$	All Other Regions \$	Total \$
Total Revenue	14,921,671	-	14,921,671
Total Non-Current Assets	2,738,708	242,453	2,981,161

30 June 2015	South Asia \$	All Other Segments \$	Total \$
Total Revenue	3,029,095	-	3,029,095
Total Non-Current Assets	502,203	348,616	850,819

Information by geographical location (by country) was unable to be determined as the information is not available and the costs to develop it would be excessive.

migme Limited

Notes to the Consolidated Financial Statements

For the half-year ended 30 June 2016

11. Earnings Per Share

Basic earnings/(loss) per share is calculated as net profit/(loss) attributable to members of the parent divided by the weighted average number of ordinary shares during the half-year.

Diluted earnings/(loss) per share is calculated as above with an adjustment for the weighted number of ordinary shares that would be issued on conversion of all dilutive ordinary shares.

Basic and dilutive earnings/(loss) per share are calculated as follows:

	Half-Year	
	2016 \$	2015 \$
Profit/(loss) attributable to members of the Group	(13,628,682)	(8,808,103)
	Shares	Shares
Weighted average number of ordinary shares for basic earnings per share	281,957,346	256,054,014
Effect of dilution		-
Weighted number of ordinary shares adjusted for dilution	281,957,346	256,054,014
	Cents	Cents
Loss per share:		
Basic earnings/(loss) for the half-year attributable to members of the parent	(0.05)	(0.03)
Diluted earnings/(loss) for the half-year attributable to members of the parent	(0.05)	(0.03)

Diluted earnings/(loss) per share is calculated after taking into consideration all options and any other securities that were on issue that remain unconverted as at the reporting date as potential ordinary shares, which may have a dilutive effect on the result of the Group. As at 30 June 2016, 19,444,697 (2015: 18,083,887) potential ordinary shares were not considered dilutive.

migme Limited

Notes to the Consolidated Financial Statements

For the half-year ended 30 June 2016

12. Contributed Equity

a) Reconciliation of Contributed Equity

During the six months ended 30 June 2016, the following shares were issued:

- Shares issued for the acquisition of PT Hipwee Media Solutions on 20 January 2016: 725,186 shares issued at \$0.885 per share;
- Share placement completed on 10 March 2016: 11,650,000 shares issued at \$0.60 per share;
- Shares issued for the acquisition of PT Shopdeca Global on 12 April 2016: 884,270 shares issued at \$0.74 per share;
- Shares issued in relation to a consulting agreement on 12 April 2016: 920,717 shares issued at \$0.72 per share; and
- Share placement completed on 30 June 2016: 5,045,069 shares issued at \$0.40 per share.

	30 June 2016	31 December 2015
	\$	\$
Issued capital	105,797,648	95,272,002

Issued shares

	Number of Shares	\$
At 1 January 2015	251,632,014	78,592,668
Issuance of shares – LoveBytes acquisition	757,939	275,016
Issuance of shares – sold.sg acquisition	363,919	243,902
Issuance of shares – capital raising	20,557,761	17,110,000
Options exercised (i)	-	149,205
Capital raising costs	-	(1,098,789)
At 31 December 2015	273,311,633	95,272,002
Issuance of shares – PT Hipwee Media Solutions acquisition	725,186	641,790
Issuance of shares – PT Shopdeca Global acquisition	884,270	657,054
Issuance of shares to Ecommerce Director	920,717	664,055
Issuance of shares – capital raising	16,695,069	8,829,456
Options exercised (i)	-	67,696
Capital raising costs	-	(334,405)
At 30 June 2016	292,536,875	105,797,648

(i) On the exercise of these options, shares were issued from the Employee Share Trust.

migme Limited

Notes to the Consolidated Financial Statements

For the half-year ended 30 June 2016

13. Share Based Payment Reserves

	Half-year Ended 30 June 2016	31 December 2015 – Restated
	\$	\$
Share options (a)	6,604,637	5,877,297
Share equity (b)	1,996,953	1,506,641
Share warrants (c)	301,961	301,961
Treasury shares reserve (d)	(553,784)	-
Total	8,349,767	7,685,899
(a) Share options reserve		
Opening Balance 1 January	5,877,297	3,868,687
Options issued during the year	727,340	2,008,610
Closing Balance at 30 June/31 December	6,604,637	5,877,297
(b) Share equity reserve		
Opening Balance 1 January	1,506,641	526,017
Shares issued during the year	490,312	980,624
Closing Balance at 30 June/31 December	1,996,953	1,506,641
(c) Share warrants reserve		
Opening Balance 1 January	301,961	301,961
Share warrants issued during the year	-	-
Closing Balance at 30 June/31 December	301,961	301,961
(d) Treasury shares reserve		
Opening Balance 1 January	-	-
Shares issued during the year which have not vested	(553,784)	-
Closing Balance at 30 June/31 December	(553,784)	-

Nature and purpose of reserves

Share options

The reserve is used to record the fair value of equity-settled share-based payments being options granted to employees, including key management personnel, as part of their remuneration.

Share equity

The reserve is used to record the fair value of equity-settled share-based payments being shares issued to employees, including key management personnel, as part of their remuneration.

migme Limited

Notes to the Consolidated Financial Statements

For the half-year ended 30 June 2016

13. Share Based Payment Reserves (Cont).

Nature and purpose of reserves (Cont.)

Share warrants

The reserve is used to record the fair value of equity-settled share-based payments being warrants granted to employees, including key management personnel, as part of their remuneration.

Treasury reserves

The reserve records the fair value of equity-settled share-based payments being shares issued to employees, including key management personnel, as part of their remuneration which have not vested at reporting date.

14. Contingent Liabilities

The Group is not aware of any contingent liabilities as at 30 June 2016 (Nil at 31 December 2015).

15. Other Significant Information

There is no other significant information that has not been reported in this Appendix 4D and/or in prior market announcements.

16. Significant Events After Balance Sheet Date

On 19 August 2016, migme Limited announced that it had completed the raising of \$10.226 million (before costs) of which \$2.018 million has been received prior to 30 June 2016. The capital raise resulted in the issue of 25,564,879 fully paid shares at an issue price of \$0.40 per share. In addition and subject to the receipt of shareholder approval, CEO of migme Limited Steven Goh, has agreed to subscribe for 250,000 shares at an issue price of \$0.40 per share.

migme Limited

Directors' Declaration

In the Directors' opinion:

- a) the financial statements and notes set out on pages 8 to 28 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standard AASB 134 Interim Financial Reporting; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the half-year ended on that date.

- b) subject to the achievement of the matters set out in note 2, there are reasonable grounds to believe that the Group 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.

Steven Goh
Director
24 August 2016

Report on the half-year financial report to the members of migme Limited

We have reviewed the accompanying half-year financial report of migme Limited, which comprises the interim consolidated statement of financial position as at 30 June 2016, the interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the financial period then ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the 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 Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are 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 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 30 June 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of migme Limited and the entities it controlled during the period, 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

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 migme 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 30 June 2016 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2 in the financial report which describes the principal conditions that raise doubt about the consolidated entities' ability to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.



Ernst & Young



T G Dachs
Partner
Perth
24 August 2016

migme Limited
Supplementary Appendix 4D information

Net Tangible Asset *(Appendix 4D item 3)*

	Half-year ended 30 June 2016 \$	Half-year ended 30 June 2015 \$
Net tangible asset backing per ordinary share	0.00	0.02

Foreign Entities *(Appendix 4D item 8)*

For foreign entities, International Financial Reporting Standards are used in compiling the half-year consolidated report.

migme Limited

Corporate Directory

Directors

Andi Zain	Non-Executive Chairman (Appointed 13 July 2016) Non-Executive Director
Howard Dawson	Chairman (resigned 31 May 2016)
Steven Goh	Executive Director & CEO
Yen Chang (Charles) Pan	Executive Director
Dmitry Levit	Non-Executive Director (resigned 5 May 2016)
John Lee	Non-Executive Director
Yichin Lee	Non-Executive Director
Stephen Llanwarne	Non-Executive Director
Po-Hsiang Wang	Non-Executive Director (appointed 24 August 2016)
Chieh Suang Khor (alternate Director to Mr Dmitry Levit)	Non-Executive Director (resigned 5 May 2016)

Officers

Mike Higginson	Company Secretary
Anthony Benino	Chief Financial Officer

Stock Exchange Listing

Australian Stock Exchange (ASX: MIG) and Deutsche Börse (WKN: AA117AB)

Registered Office

c/o Baker McKenzie
Level 27, AMP Centre
50 Bridge Street
Sydney NSW 2000, Australia

Auditors

Ernst & Young
11 Mounts Bay Road
Perth WA 6000, Australia

Legal Counsel

Baker McKenzie
Level 27, AMP Centre
50 Bridge Street
Sydney NSW 2000, Australia

Share Registry

Advanced Share Registry
110 Stirling Hwy,
Nedlands WA 6009, Australia