Quickflix Limited

ABN 62 102 459 352

ASX Appendix 4D

For the half year ended 31 December 2011
(Incorporating information pursuant to ASX Listing Rule 4.2A

The information contained in this document should be read in conjunction with the accompanying Quickflix Limited Directors' Report and Financial Report for the half year ended 31 December 2011 and the Quickflix Limited Annual Report for the year ended 30 June 2011 and any public announcements made by Quickflix Limited during the period in accordance with the continuous disclosure obligations arising under the Corporations Act, 2001 and the ASX Listing Rules.

ASX Appendix 4D – Results Summary

for the half year ended 31 December 2011

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Financial results	**Half Year 31 Dec 2011 $**	**Half Year 31 Dec 2010 $**	**% change Dec 2010 to Dec 2011**
Revenue from continuing activities*	7,376,110	4,701,375	56.9%
Profit (loss) from ordinary activities after tax attributable to members	(5,879,149)	(1,312,645)	347.9%
Net profit (loss) for the period attributable to members	(5,879,149)	(1,312,645)	347.9%
*excludes finance income			

Dividends	**Half Year 31 Dec 2011**	**Half Year 31 Dec 2010**
Cents per ordinary share	Nil*	Nil*
*No dividends have been declared or are payable for the period ended 31 December 2011 or 31 December 2010		

Tangible assets per ordinary share	**31 Dec 2011**	**31 Dec 2010**
Net tangible assets per share (cents)	0.73	1.03

Quickflix Limited ABN 62 102 459 352
and Controlled Entity

Interim Report

31 December 2011

ENTERTAINMENT DELIVERED

Contents

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, the report is to be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made by Quickflix Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Directors' Report

Your directors present their report on the Group consisting of Quickflix Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2011.

Directors

Name

Stephen Langsford	Simon Hodge
Jon Schahinger	Donald Campbell
Simon Baker	Justin Milne
Ross McCreath	

The above named directors held office during and since the end of the half-year except for:

- Simon Baker – resigned 5 July 2011
- Ross McCreath – resigned 5 July 2011
- Donald Campbell – appointed 5 July 2011
- Justin Milne – appointed 5 July 2011

Review of Operations

Business overview

Quickflix is the leading online movie subscription service in Australia. During the half, Quickflix complemented its online DVD rental offering with the successful launch of movie streaming becoming the first subscription video on demand (SVOD) service of its kind in Australia offering unlimited movie viewing over a growing range of movies from Hollywood studios like Warner Bros, NBC Universal and Sony Pictures and TV series from networks like HBO.

During the period, Quickflix also achieved strong growth with paying subscribers increasing by 34 percent to over 94,000 and revenues increasing to an annualised run rate of $16.5 million. A half-year loss of $5.9 million reflected additional one-off expenditure associated with the Company's establishment and launch of streaming and the consolidation of BigPond Movies DVD service upon it closing in September 2011. These initiatives have transformed the Company, positioning Quickflix for the expected wave in consumer demand for IPTV delivered movies and TV and future subscriber growth.

Quickflix highlights for the half-year:

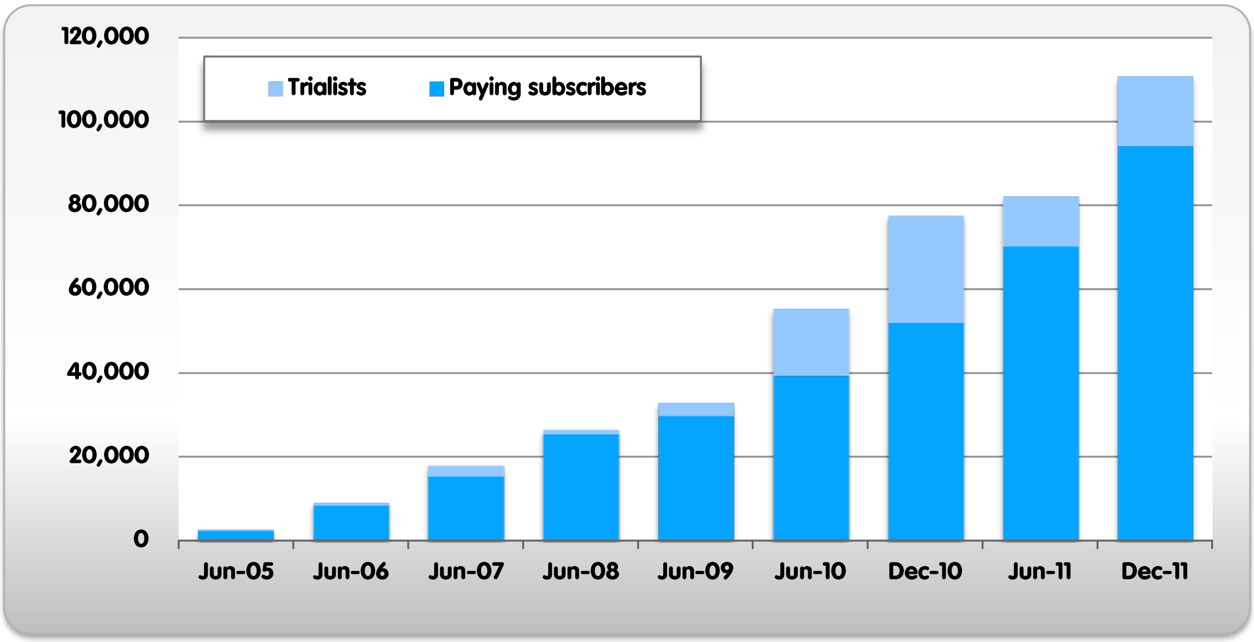
- Revenue grew to $7,376,110 for the six months, up 57 percent year-on-year.
- Total subscribers grew to 110,697, up 43 percent year-on-year.
- Paying subscribers grew to 94,097, up 34 percent in the half and 81 percent year-on-year.
- Consolidated its market leading position with the closure of Telstra's BigPond Movies DVD rental service effective 30 September. Quickflix acquired the BigPond Movies DVD & Blu-ray content library and BigPond Movies referred its DVD customers to Quickflix.
- Entered an agreement with Sony Australia to stream movies to Sony Bravia Internet Video-connected televisions and other connected devices.

- Entered a distribution agreement with Sony Computer Entertainment to provide movie streaming to Sony PlayStation®3 (PS3™).
- Completed digital streaming subscription content deals with major Hollywood studios including Sony Pictures Television, Warner Bros., NBCUniversal and a number of independent studios.
- Development of its digital movie streaming platform:
    - Launched movie streaming on Sony Bravia TVs, Blu-ray players and Home Theatre systems.
    - Launched movie streaming to PCs and Apple Macs.
    - Launched movie streaming on Sony PlayStation®3.
- Appointed Mr Chris Taylor as CEO and Non-Executive directors, Mr Justin Milne (as Deputy Chairman) and Mr Donald Campbell. The Company expanded its executive team to drive growth in subscribers and the rollout of digital streaming.
- Expanded operating scale and resources to support growth.
- Completed a placement to institutions and other investors raising gross funds of $4.675m.

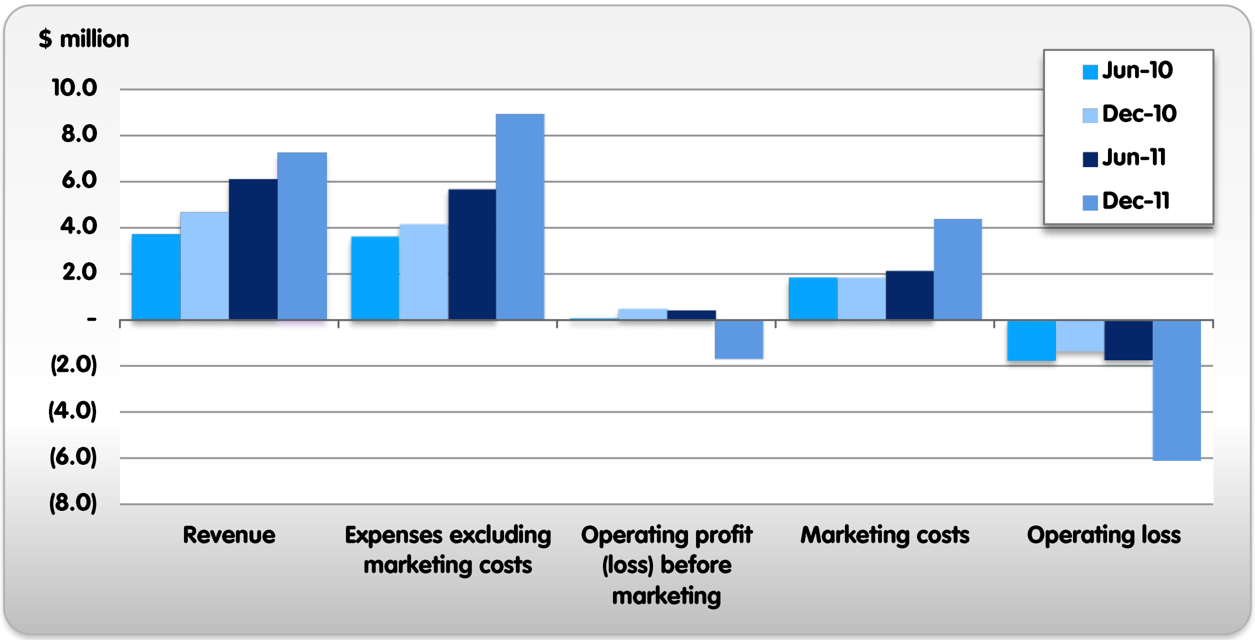
Performance highlights

Half-year	**31-Dec-10**	**30-Jun-11**	**31-Dec-11**
Revenue	$4,701,375	$6,177,810	$7,376,110
change	*+26%*	*+31%*	*+19%*
Net operating loss	($1,312,645)	($1,648,201)	($5,879,149)
Change	*(24%)*	*(26%)*	*(257%)*
Total subscribers – end of period	77,528	82,195	110,697
change	*+40%*	*+6%*	*+35%*
Paying subscribers – end of period	52,034	70,250	94,097
change	*+32%*	*+35%*	*+34%*

Quickflix subscribers (month end)



Revenue, costs and operating loss by financial half-year



Subscribers

Paying subscribers increased by 81 percent year-on-year to 94,097. Total subscribers increased to 110,697, up 35 percent in the half-year, with 16,600 trialists at 31 December 2011.

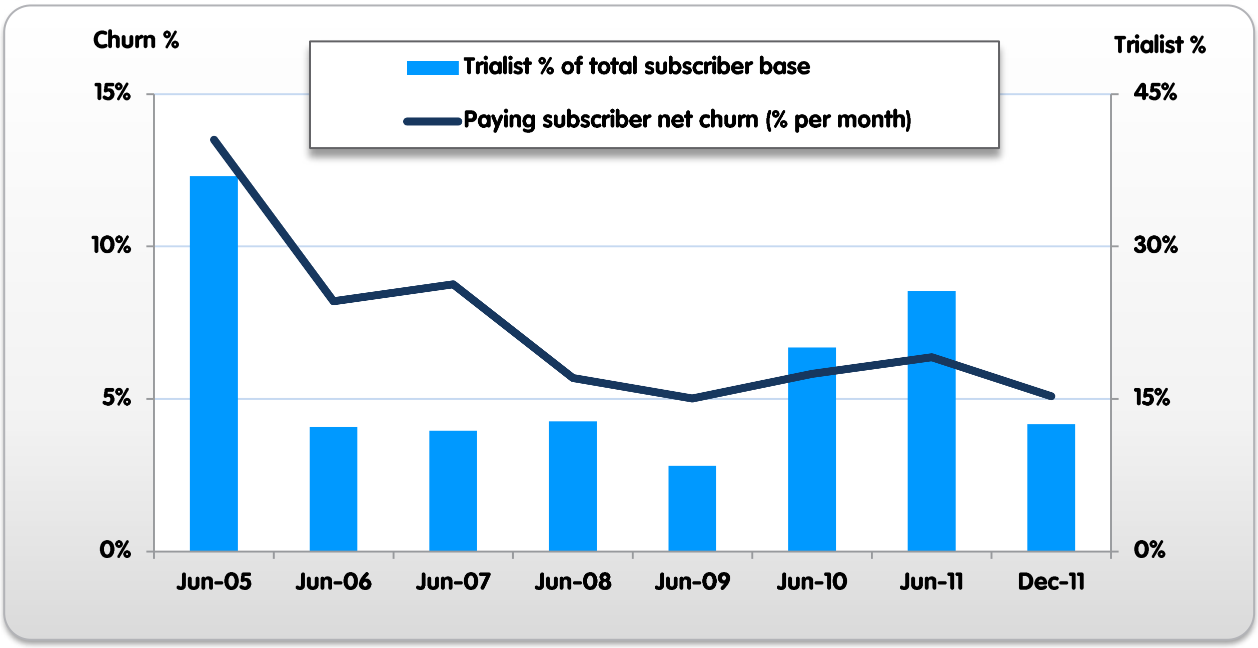
The growth in the base of paying subscribers is accelerating, up almost 24,000 in the six months compared with 18,216 and 12,638 during the previous two half-years. New subscriber acquisition volumes grew by 26 percent as the company invested in marketing to build awareness, launched its streaming service and introduced new distribution partnerships with Sony Bravia and PS3. The closure of BigPond Movies DVD service contributed to new subscriber growth making up approximately 10 percent of all new subscriber acquisitions in the half, and to a reduction in subscriber churn.

	Dec 10	Jun 11	Dec 11	YoY change	HoH change
Trial subscribers	25,494	11,945	16,600	(35%)	39%
Paying subscribers	52,034	70,250	94,097	81%	34%
Total subscribers	77,528	82,195	110,697	43%	35%
Net paying additions*	12,638	18,216	23,847	89%	31%
Paying subscriber churn (monthly average)*	5.6%	7.1%	5.1%	(9%)	(28%)
New subscribers acquisitions	64,212	64,508	81,414	27%	26%
Trial conversion*	53.2%	59.1%	56.8%	7%	(4%)
Marketing cost per sign-up (CPA)*	$11	$16	$41		

Note: * Figures are calculated based on 6 months period

During the period, paying subscriber churn averaged 5.1 percent, a significant reduction on the prior two periods. This churn reduction has been achieved in a period of rapid growth and can be attributed to the investments made in the content library and service enhancements, the introduction streaming and the consolidation of the DVD subscription market.

Quickflix paying subscriber churn (average percent per month)



Revenue

Quickflix derives most of its revenues from monthly subscription fees which are billed monthly in advance and are recognised over the subscription period. Other revenues are derived from the sale of gift vouchers, charges for non-returned discs, advertising and interest.

With the introduction of streaming, Quickflix now offers an expanded range of subscription options including bundled DVD/Blu-ray/Streaming subscriptions, streaming only plans and DVD/Blu-ray only subscriptions.

	Dec 10	Jun 11	Dec 11	YoY change	HoH change
Revenue	$4,701,375	$6,177,810	$7,376,110	57%	19%
Average number of paying subscribers	46,178	63,840	81,283	76%	27%
Average monthly revenue per paying subscriber	$16.97	$16.13	$15.12	(11%)	(6%)

Revenue increased by 57 percent to $7.4 million compared to the December 2010 half-year, and 19 percent compared to the June half-year driven by growth in the average number of paying members. Revenues have grown markedly within the period, with run-rate revenue in December 2011 exceeding $16.5 million on an annualised basis. A reduction in the average monthly revenue per paying subscriber is due to the temporary use of special discounted offers in the migration of BigPond customers and the launch of streaming.

Operating costs

Operating costs include the direct service expenses of fulfillment (sending and receiving DVDs), customer service, content (maintenance and depreciation of the content library), digital streaming (content and delivery), transaction processing fees, indirect costs of technology (operation and amortisation of the technology platform), digital platform (operation and depreciation of the digital costs) and corporate overhead expenses. Marketing costs include all media and performance fees, production and overhead costs associated with the marketing function. Trial service costs are the proportion of direct service costs which relate to servicing free and paying trials.

Operating costs before marketing increased to $8.9 million, up by $3.2 million on the prior half-year. These costs included a number of one-off costs associated with the establishment of the streaming service and integration of the BigPond DVD library which have been expensed in the period rather than being capitalised.

- Direct service costs increased by $1.6 million to $5.0 million. The increase includes:
    - Subscriber driven growth in DVD fulfillment costs;
    - Integration costs for BigPond DVDs and customers which have been expensed as incurred;
    - Operating costs including content and delivery fees for the launch of the streaming service; and
    - Fulfillment overheads as the company geared up for future growth.
- Indirect costs increased by $1.5 million to $3.9 million and included:
    - Technology set-up costs for the digital service;
    - Relocation to larger facilities to support growth; and
    - Share-based payments for valuation of staff and director options.

	Dec 10 $	**Jun 11 $**	**Dec 11 $**	**YoY change**	**HoH change**
Revenue	4,701,375	6,177,810	7,376,110	57%	19%
Gross contribution	2,051,884	2,799,631	2,359,728	15%	(16%)
% of revenue	*44%*	*45%*	*32%*	(27%)	(29%)
Operating loss before income tax	(1,312,645)	(1,648,201)	(5,879,149)	348%	257%
Direct service costs: paying subscribers	(2,649,491)	(3,378,180)	(5,016,382)	89%	48%
Indirect costs	(1,514,963)	(2,302,516)	(3,851,505)	154%	67%
Operating costs before marketing & trial service costs	(4,164,454)	(5,680,696)	(8,867,887)	113%	56%
Marketing costs (including employee costs)	(719,893)	(1,046,460)	(3,371,493)	368%	222%
Trial service costs	(1,121,941)	(1,096,226)	(1,013,461)	(10%)	(8%)
Finance costs	(7,732)	(2,629)	(2,418)	(69%)	(8%)
Total operating costs	(6,014,020)	(7,826,011)	(13,255,259)	120%	69%

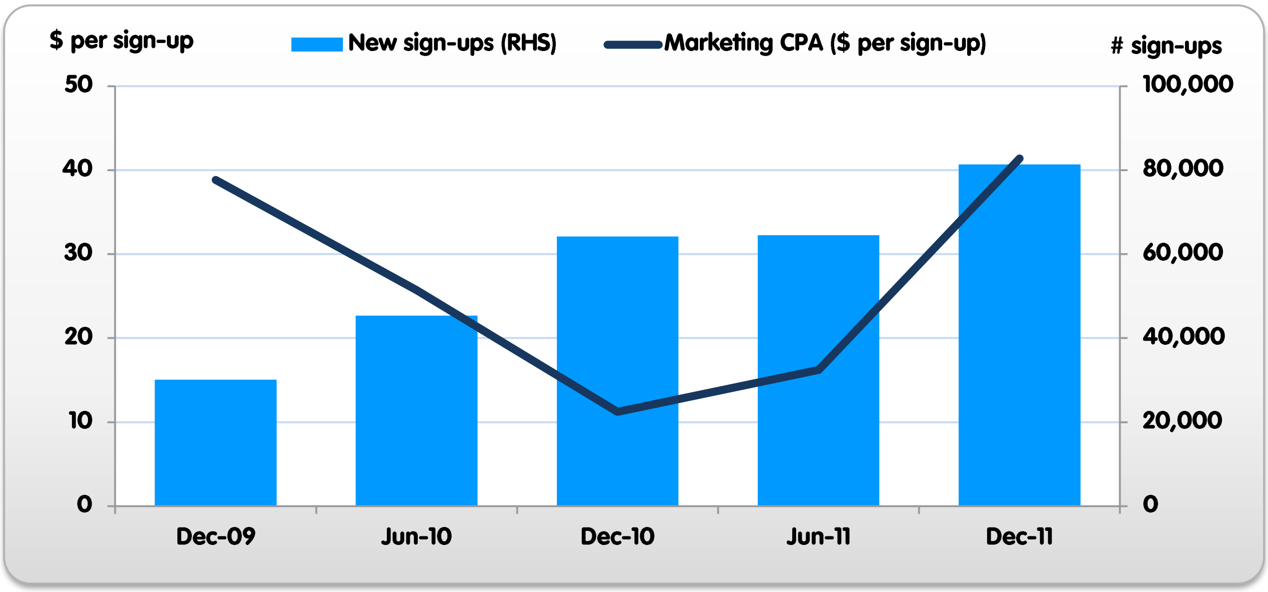
Marketing

During the half-year Quickflix significantly increased its marketing activity, including above-the-line marketing activity to build brand awareness and support its longer term subscriber acquisition activity.

- Marketing costs increased to $3.4 million, up $2.3 million, which included $1.6 million on awareness building activity.
- New sign-up volumes increased by 26 percent in the half-year.
- Trial service costs eased slightly to $1.0 million as the company started reducing the average duration and cost of servicing free trials.

The marketing cost of acquiring new members (Marketing CPA) increased to $41 per new sign-up from $16 and $11 in the June 2011 and December 2010 half-years respectively. The increase in Marketing CPA is primarily due to the awareness activity which added $19 per new sign-up.

New sign-ups and Marketing CPA



Content

The Company's investment in the DVD and Blu-ray content library which included stock received from the BigPond purchase increased to $1.92 million for the half-year, representing 26 percent of revenue. The Company also entered into digital content deals with major studios to supply the streaming service. Quickflix delivered over 2.2 million discs to its members in the six months, an increase of 54 percent compared to the December 2010 half-year. The content library selection increased to 55,000 movie and TV titles which now include more than 3,500 titles available in Blu-ray format.

Financial position

Receipts from customers during the half were $8.0 million, an increase of 54 percent year-on-year. Expenditure to support growth, the integration of BigPond Movies DVD content and the establishment of digital contributed to a net operating cash outflow of $2.5 million. The net cash used in investing activities increased to $3.3 million (up 97 percent).

The Company had net cash of $1.9 million at 31 December 2011 including $4.4 million of net proceeds from capital raised during the period.

	Dec 10	Jun 11	Dec 11	YoY change	HoH change
Receipts from customers	5,196,266	6,602,576	7,996,908	54%	21%
Net cash used in operating activities	284,317	520,694	(2,545,620)	(995%)	(589%)
Net cash used in investing activities	(1,657,613)	(2,586,795)	(3,262,685)	97%	26%
Net cash provided by financing activities	3,430,759	2,319,905	4,419,549	29%	91%
Cash at end of financial period	3,039,699	3,293,503	1,904,747	(37%)	(42%)

Outlook

Since the end of the half-year Quickflix has announced that Home Box Office, Inc. USA's largest premium television company and a wholly owned subsidiary of Time Warner, Inc. will become a strategic investor in the Company providing additional funding of $10 million. Combined with a further $2.5 million raised through a recent placement to new institutional investors the Company will have funding to pursue its growth strategy.

The outlook for Quickflix is very positive. The Company anticipates continued strong growth in paying subscriber numbers as it increases its marketing efforts and rolls out its new streaming service to more and more consumer devices. In addition it will expand its range of streaming content to meet the demand of new subscribers and drive even further subscriber growth. The upcoming launch of Quickflix streaming to Samsung's range of Smart TVs, Blu-ray players, Galaxy TABs and smartphones and the debut of HBO award winning film and TV are two very exciting developments for the Company and Australian consumers.

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 9.

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

Stephen Langsford

Executive Chairman
Dated this 28th day of February 2012

Grant Thornton Audit Pty Ltd
ABN 94 269 609 023

10 Kings Park Road
West Perth WA 6005
PO Box 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E info.wa@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration
To The Directors of Quickflix Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Quickflix Limited for the half-year ended 31 December 2011, I declare that, 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.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

P W Warr
Partner – Audit & Assurance

Perth, 28 February 2012

Consolidated Statement of Comprehensive Income

for the six months ended 31 December 2011

	31 Dec 2011 $	31 Dec 2010 $
Revenue from continuing operations	7,376,110	4,701,375
Depreciation and amortisation expenses	(1,618,892)	(991,529)
Finance expenses	(2,418)	(7,731)
Employee and contractor expenses	(3,787,341)	(1,918,385)
General & administration expenses	(731,523)	(349,806)
Occupancy expenses	(412,157)	(211,929)
Selling & distribution expenses	(6,219,199)	(2,397,369)
Technology expenses	(483,729)	(137,271)
Loss before income tax	(5,879,149)	(1,312,645)
Income tax expense	-	-
Loss for the half-year	(5,879,149)	(1,312,645)
Other comprehensive income		-
Total comprehensive income for the half-year	(5,879,149)	(1,312,645)
Total comprehensive income is attributable to:		
Owners of Quickflix Limited	(5,879,149)	(1,312,645)
Non-controlling interest		-
	(5,879,149)	(1,312,645)
Earnings per share for total comprehensive income for the half-year attributable to the ordinary equity holders of the company:		
Basic loss per share (cents per share)	(1.38)	(0.50)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

as at 31 December 2011

	Notes	31 Dec 2011 $	30 June 2011 $
Current assets			
Cash and cash equivalents		1,904,747	3,293,503
Trade and other receivables		291,331	142,459
Inventories		114,382	109,164
Other current assets		199,076	48,576
Total current assets		2,509,536	3,593,702
Non-current assets			
Property, plant and equipment		4,222,459	3,128,717
Intangible assets	2	1,706,459	907,861
Other financial assets		354,562	200,000
Total non-current assets		6,283,480	4,236,578
Total assets		8,793,016	7,830,280
Current liabilities			
Trade and other payables		5,051,152	3,026,672
Provisions		19,319	-
Total current liabilities		5,070,471	3,026,672
Non-current liabilities			
Provisions		102,493	39,465
Loans and borrowings		-	-
Total non-current liabilities		102,493	39,465
Total liabilities		5,172,964	3,066,137
Net assets		3,620,052	4,764,143
Equity			
Issued capital	4	30,246,644	25,691,127
Reserves		867,717	688,176
Accumulated losses		(27,494,309)	(21,615,160)
Total equity		3,620,052	4,764,143

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

Consolidated Statement of Changes in Equity

for the six months ended 31 December 2011

	Attributable to owners of Quickflix Limited			
	Contributed equity	Accumulated Losses	Option/Share Reserve	Total
	$	$	$	$
Balance at 1 July 2010	19,391,465	(18,654,314)	377,775	1,114,926
Total comprehensive loss for the half-year	-	(1,312,645)	-	(1,312,645)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	3,997,077	-	-	3,997,077
Director and employee share options	-	-	38,047	38,047
Dividends paid or provided for	-	-	-	-
Sub-total	3,997,077	-	38,047	4,035,124
Balance at 31 December 2010	23,388,542	(19,966,959)	415,822	3,837,405
Balance at 1 July 2011	25,691,127	(21,615,160)	688,176	4,764,143
Total comprehensive loss for the half-year	-	(5,879,149)	-	(5,879,149)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	4,555,517	-	(31,627)	4,523,890
Performance Rights	-	-	24,500	24,500
Director and employee share options	-	-	186,668	186,668
Dividends paid or provided for	-	-	-	-
Sub-total	4,555,517	-	179,541	4,735,058
Balance at 31 December 2011	30,246,644	(27,494,309)	867,717	3,620,052

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

Consolidated Statement of Cashflows

for the six months ended 31 December 2011

	31 Dec 2011 $	31 Dec 2010 $
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	7,996,908	5,196,266
Payments to suppliers and employees (inclusive of goods and services tax)	(10,654,454)	(4,926,885)
Interest received	134,701	22,667
Finance costs	(2,418)	(7,731)
Net cash outflow from operating activities	(2,525,263)	284,317
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,117,080)	(1,505,184)
Purchase of other non-current assets	(145,605)	(152,429)
Net cash outflow from investing activities	(3,262,685)	(1,657,613)
Cash flows from financing activities		
Proceeds from issue of shares	4,675,000	3,678,085
Repayment of borrowings	-	(125,000)
Payment of share issue costs	(275,808)	(122,326)
Net cash inflow from financing activities	4,399,192	3,430,759
Net decrease in cash and cash equivalents	(1,388,756)	2,057,463
Cash and cash equivalents at 1 July	3,293,503	982,236
Cash and cash equivalents at 31 December	1,904,747	3,039,699

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

Notes to the Consolidated Financial Report

for the six months ended 31 December 2011

Note 1: Basis of preparation of interim report

This general purpose financial report for the interim half-year reporting period ended 31 December 2011 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, the report is to be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made by Quickflix Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below.

Impacts of standards issued but not yet applied by the entity

In December 2009, the AASB issued AASB 9 *Financial Instruments* which addresses the classification and measurement of financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. The group is yet to assess its full impact but it is expected that there will be no change as a result of the new standard. The group has not decided when to adopt AASB 9.

Preparation of report on going concern basis

The Group incurred a loss of $5.9 million for the half-year, during a period of growth in subscriber numbers, and as at 31 December 2011, had current assets of $2.51 million and current liabilities of $5.07 million. On 6 February 2012 it was announced that Home Box Office, Inc. (HBO) has agreed to invest $10 million for a strategic stake in the Company, subject to shareholder approval.

On 15 February 2012 the Company announced that it had successfully completed a placement to local and overseas institutional investors to raise $2.5 million. The placement of 21,739,131 ordinary shares was completed at an issue price of 11.5 cents per share.

The Group has the flexibility to reduce its investment in growth and operating cash deficits if necessary, although this is likely to slow growth in subscribers or even result in a decline in subscribers.

The financial statements have been prepared on the basis of going concern which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. Whilst acknowledging the inherent uncertainties, the Directors consider this to be appropriate for the following reasons:

- the projected cashflows through the implementation of its current business plan;
- the flexibility to vary the Group's cost structure and in turn the level of cash burn in response to progress against certain milestones within the business plan; and
- the demonstrated ability to obtain funding through debt and equity issues.

All of the above give the Directors confidence that the Group will be able to continue its operations into the foreseeable future.

Note 2: Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated impairment of intangible and intangible assets

The Group tests annually whether goodwill has suffered any impairment, in accordance with its accounting policy. The recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Segment Reporting

Operating segments are identified on the basis of internal reports about components of the Company that are regularly reviewed by the Chief Executive Officer in order to allocate resources and assess performance. The Chief Executive Officer has identified one segment being online movie subscription service in Australia.

Note 3: Share-based payments

The terms and conditions of the various share based payments made during the six months ended 31 December 2011 are as follows:

A) Share issues to employees, directors and suppliers

Shares granted to employees, Directors and suppliers of the group as shares based payments are as follows:

Type of arrangement	Date	Number of shares issued	Value of consideration
Shares issued to employees			
	27 July 2011	756,596	$38,198
	21 September 2011	401,105	$31,000
	30 September 2011	250,000	$18,000
Shares issued to Directors in lieu of cash remuneration			
	21 November 2011	750,000	$37,500

The weighted average fair value of those equity instruments, determined by reference to market price, was $0.058.

Note 3: Share-based payments (continued)

B) Employee Option Plan

New options granted under the employee share option scheme are as follows:

Grant date	Number of instruments	Exercise Price	Vesting conditions	Contractual life of options
28 July 2011	4,750,000	5.0 cents	Subject to ongoing employment, options vest 28 July 2011.	5 years
9 December 2011	1,250,000	8.5 cents	Subject to ongoing employment, options vested 9 December 2011.	4 years
9 December 2011	1,250,000	8.5 cents	Subject to ongoing employment, options vest 5 July 2012.	4 years
9 December 2011	1,666,667	8.5 cents	Subject to ongoing employment, options vest 11 July 2012.	5 years
9 December 2011	1,250,000	8.5 cents	Subject to ongoing employment, options vest 5 July 2013.	4 years
9 December 2011	1,666,667	8.5 cents	Subject to ongoing employment, options vest 11 July 2013.	5 years
9 December 2011	1,250,000	8.5 cents	Subject to ongoing employment, options vest 5 July 2014.	4 years
9 December 2011	1,666,666	8.5 cents	Subject to ongoing employment, options vest 11 July 2014.	5 years

Fair value of share options granted during the six months ended 31 December 2011 was determined using Black Scholes and applying the following assumptions:

New Options Granted

Weighted average share price	\$0.075 - \$0.089
Weighted average exercise price	\$0.05 - \$0.085
Expected volatility (expressed as weighted average volatility used in the modelling under binomial lattice model)	90%
Option life (expressed as weighted average life used in the modelling under binomial lattice model)	3.0 years
Expected dividends	Nil
Weighted average risk-free interest rate (based on government bonds)	3.38% - 4.33%

The basis of measuring fair value is consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2011.

Note 3: Share-based payments (continued)

Modifications

On 25 November 2010, the board approved the modification of 1,750,000 employee options by reducing the exercise price to 5 cents. The incremental fair value of the modified options of $11,083 was calculated using the difference in value between the original terms and the new terms as of the modification date. The incremental cost of the modified option over the original option will be recognised as additional compensation expense over the vesting period. At 31 December 2011 500,000 of these options remained outstanding.

On 15 July 2011, the board approved the cancellation of 4,750,000 director options to be replaced by 4,750,000 options modified by (i) reducing the exercise price to 5 cents and (ii) vesting the options upon issuance. The incremental fair value of the modified options of $81,255 was calculated using the difference in value between the original terms and the new terms as of the modification date. The incremental cost of the modified options over the original options was recognised as additional compensation expense. At 31 December 2011, 4,000,000 of these options remained outstanding.

Note 4: Issued capital

A) Ordinary shares

	30 June 2011
Issued and fully paid	370,703,556

Movements in ordinary shares on issue

Date	Details	Note	Number of shares	Average issue price	$
1 July 2010	Opening balance		196,726,538		19,391,465
5 July 2010	Shares issued to Directors	(ii)	1,151,703	0.072	82,500
5 July 2010	Shares issued to employees	(i)	318,191	0.067	21,467
23 August 2010	Private Placement		14,440,000	0.045	649,800
25 August 2010	Shares issued to employees	(i)	627,865	0.062	39,000
25 August 2010	Shares issued to suppliers	(iii)	54,545	0.055	3,000
26 October 2010	Rights Issue		105,776,168	0.030	3,173,285
26 October 2010	Shares Issued to employees	(i)	550,000	0.030	16,500
26 October 2010	Shares issued to suppliers	(iii)	333,333	0.030	10,000
24 December 2010	Shares issued to Directors	(ii)	2,416,665	0.030	72,500
29 December 2010	Shares issued to employees	(i)	910,000	0.035	31,850
29 December 2010	Shares issued to suppliers	(iii)	390,000	0.050	19,500
14 January 2011	Shares issued to employees	(i)	508,548	0.039	19,833
10 March 2011	Private Placement		46,500,000	0.050	2,325,000
	Less: share issue costs		-		(164,573)
30 June 2011	Balance		370,703,556		25,691,127

Note 4: Issued capital (continued)

	31 December 2011
Issued and fully paid	427,861,257

Movements in ordinary shares on issue

Date	Details	Note	Number of shares	Average issue price	$
1 July 2011	Opening balance		370,703,556		25,691,127
29 July 2011	Private placement		55,000,000	0.085	4,675,000
29 July 2011	Shares issued to employees	(i)	756,596	0.050	38,198
21 September 2011	Shares issued to employees	(i)	401,105	0.077	31,000
30 September 2011	Shares issued to employees	(i)	250,000	0.072	18,000
21 November 2011	Options exercised		750,000	0.092	69,127
	Less: share issue costs		-		(275,808)
31 December 2011	Balance		427,861,257		30,246,644

(i) Shares issued to employees

Shares were issued to employees as a part of remuneration. The issue price in respect of these shares was determined by reference to market price.

B) Options over unissued ordinary shares

At 1 July 2010	6,130,000
Staff incentive options exercisable at 7.5 cents, granted 12 February 2010	500,000
Staff incentive options exercisable at 12.5 cents, granted 12 February 2010	250,000
Staff incentive options exercisable at 7.5 cents, granted 1 July 2010	166,667
Staff incentive options exercisable at 12.5 cents, granted 1 July 2010	166,667
Staff incentive options exercisable at 17.5 cents, granted 1 July 2010	166,666
Staff incentive options exercisable at 20.0 cents, lapsed 31 August 2010	-380,000
Staff incentive options exercisable at 5 cents, granted 2 December 2010	750,000
Balance at 31 December 2010	7,750,000

Note 4: Issued capital (continued)

At 1 July 2011	8,650,000
Staff incentive options exercisable at 5.0 cents, granted 28 July 2011	4,750,000
Staff incentive options exercisable at 7.0 cents, lapsed 29 July 2011	-750,000
Staff incentive options exercisable at 7.5 cents, lapsed 29 July 2011	-1,333,334
Staff incentive options exercisable at 12.5 cents, lapsed 29 July 2011	-1,333,334
Staff incentive options exercisable at 17.5 cents, lapsed 29 July 2011	-1,333,332
Staff incentive options exercisable at 5.0 cents, lapsed 29 July 2011	-350,000
Staff incentive options exercisable at 5.0 cents, exercised 15 November 2011	-750,000
Staff incentive options exercisable at 8.5 cents, granted 29 November 2011	10,000,000
Balance at 31 December 2011	17,550,000

Note 5: Related parties

Transactions with key management personnel:

Key management personnel receive compensation in the form of short-term employee benefits, post-employment benefits and share-based payments (see note 4).

Note 6: Contingent liabilities

There has been no change in contingent liabilities since the last annual reporting date.

Note 7: Events subsequent to reporting date

On 6 February 2012 it was announced that Home Box Office, Inc. (HBO) has agreed to invest $10 million for a strategic stake in the Company. Under the terms of the investment agreement HBO will invest $10 million in Quickflix in exchange for 83.3 million preference shares at a price of 12 cents per share which are convertible to ordinary shares in the Company equating to a fully diluted interest of 15.7 per cent on conversion. The investment, which is fully endorsed by the Quickflix board, is subject to shareholder and ASX approval. HBO will appoint a representative to the Quickflix board.

On 15 February 2012 it was announced that Quickflix had successfully completed a placement to local and overseas institutional investors to raise $2.5 million. The placement of 21,739,131 ordinary shares was completed at an issue price of 11.5 cents per share.

Directors' Declaration

In the opinion of the directors of Quickflix Limited ("the Company"):

1) The financial statements and notes set out on pages 10-19, are in accordance with the Corporations Act 2001 including:

   a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2011 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and

   b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

2) There are reasonable grounds to believe that the Company 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 Board of Directors.

Executive Chairman

Stephen Langsford

Dated this 28th day of February 2012

Grant Thornton Audit Pty Ltd
ABN 94 269 609 023

10 Kings Park Road
West Perth WA 6005
PO Box 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E info.wa@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Review Report
To the Members of Quickflix Limited

We have reviewed the accompanying half-year financial report of Quickflix Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and 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 both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the 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 31 December 2011 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 Quickflix Limited, 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 complied with the independence requirements of the Corporations Act 2001.

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 Quickflix 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 2011 and of its performance for the half-year ended on that date; and

b complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

P. Warr.

P W Warr
Partner – Audit & Assurance

Perth, 28 February 2012