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TV2u International Limited Announces Convertible Note Issue.

TV2U International Limited (ASX: TV2) (the **Company**) is pleased to advise that it has signed an agreement with MEF I, L.P. (**Investor**) (an investor based in New York USA) for the issue of \$US denominated Convertible Notes (**Convertible Note Agreement**).

The Company will issue \$US denominated convertible notes (**Convertible Notes**) with an aggregate face value equivalent to A\$1.1 million. The Convertible Notes will be issued at a 10% discount, for an aggregate subscription price of the US\$ equivalent of A\$1.0 million. As such, each Convertible Note will have a face value of US\$1.10 each and will be issued for US\$1.00 each. The total number of Convertible Notes to be issued will depend on the exchange rate of A\$/US\$. Assuming an exchange rate of A\$/US\$ of 0.74 the number of US\$ denominated Convertible Notes that will be issued is 740,000. The proceeds of the issue of the Convertible Notes must be applied towards the Company's working capital and general corporate purposes.

Convertible Notes that are not otherwise redeemed or converted into ordinary shares, will mature 12 months after they are issued. Convertible Notes will automatically convert into shares on maturity, unless the Investor elects (at least 5 business days' before maturity) for those Convertible Notes to be redeemed, in which case the Company must pay the face value of each such Convertible Note to the Investor.

Each Convertible Note will be convertible into ordinary shares in the Company from the date that is 2 months after they are issued, at the option of the Investor at the lower of an agreed floor price or at a price equal to 90% of the average of the four (4) lowest daily VWAPs over the ten (10) Trading Day period on which trading in shares occurred on ASX immediately prior to the election to convert. The agreed floor price at the time of conversion will be the lower of A\$1.5 cents per share and the lowest price at which the Company issues shares during the term of the Convertible Notes (other than pursuant to the conversion of a Convertible Note, an entitlement offer, or the exercise of any outstanding performance shares on issue).

The issue of the Convertible Notes will be divided into two tranches. The first tranche (**Tranche A Convertible Notes**) will be made within the Company's available placement capacity under ASX Listing Rule 7.1, subject to necessary regulatory confirmations from the ASX, the lodgement of a compliance prospectus in relation to the issue of the Convertible Notes with ASIC and other customary conditions. The second tranche (for the remainder of the Convertible Notes) (**Tranche B Convertible Notes**) will be made subject to and following the approval of the Company's shareholders at a general meeting and other customary conditions.

At the same time that the Investor is issued the first tranche of the Convertible Notes, the Investor will also be issued 3,000,000 ordinary shares in consideration for entering into the agreement to subscribe for the Convertible Notes.

The key terms of the Convertible Notes are set out more fully in the annexure to this announcement.

The Company's Managing Director Mr Andy Brown advised:

TV2U has recently announced a significant contract with Sol Telecom in Brazil and is currently negotiating with a number of other customers for the provision of services by TV2U.

The Convertible Note Agreement entered with the Investor provides a clear pathway for TV2U to fund its final investment in stage one of the roll out of the service to Sol Telecom and to be in a position to provide these services to other customers. It is expected that these services will commence in July 2017 and as a result the Company will quickly become cash flow positive.

We are excited about TV2U's future and believe the Investor can be a critical strategic partner to our success as we look to expand the Company.

Key terms of Convertible Notes

The following table provides a summary of the key terms of the Convertible Notes.

Offer price for each Convertible Note	Each Convertible Note will be issued for the A\$ equivalent of US\$1.00, payable to the Company on the issue of the relevant Convertible Notes.
Face Value of each Convertible Note	Each Convertible Note will have a face value of US\$1.10.
Use of funds	The Company must apply the total amount subscribed for the Convertible Notes towards the Company's working capital and general corporate purposes.
Tranche A Convertible Notes and conditions to issue	<p>The Tranche A Convertible Notes will be issued within the Company's ASX listing rule 7.1 placement capacity. The number of Tranche A Convertible Notes will depend on confirmation of the ASX's treatment of the Convertible Notes under the ASX listing rules, and the prevailing exchange rate and trading price of the Company's shares on the relevant issue date.</p> <p>The issue of the Tranche A Convertible Notes is subject to the Investor receiving in a form satisfactory to the Investor:</p> <ul style="list-style-type: none"> • a confirmation from the Company that the representations and warranties under the Convertible Note Agreement are true and correct and not misleading as at the issue date of the Tranche A Convertible Notes and that no event of default has occurred or would result from the proposed issue of Tranche A Convertible Notes; • the Company confirming that all regulatory approvals are obtained, including confirmation under the ASX listing rules regarding the treatment of the Convertible Notes and lodgement with ASIC of a prospectus prepared in accordance with section 713 of the Corporations Act (and, in connection with the Convertible Notes, as notionally modified by ASIC Corporations Instrument 16/83); and • all other information, documents, searches or enquiries as reasonably requested by the Investor.
Tranche B Convertible Notes	<p>Tranche B of the Convertible Notes will be issued following receipt of the approval of the Company's shareholders, up to a maximum aggregate investment of the US\$ equivalent of A\$1,000,000.</p> <p>The issue of the Tranche B Convertible Notes is subject to:</p> <ul style="list-style-type: none"> • the issue of the Tranche A Convertible Notes; • the Company giving notice of the proposed issue date, provided that it is no later than 60 days after the issue date of the Tranche A Convertible Notes; • no default event has occurred or would result from the proposed issue of the Tranche B Convertible Notes; • the Company obtaining all necessary board and shareholder approvals in respect of the issue of the Tranche B Convertible Notes (and their subsequent conversion); and • the provision of all other information, documents, searches or enquiries as reasonably requested by the Investor.
Commitment Shares	Simultaneously with the issue of the Tranche A Convertible Notes the Company will issue 3,000,000 ordinary shares to the Investor.
Maturity Date	12 months after the date of issue of the relevant Convertible Notes.
Interest	There is no interest payable on the Convertible Notes. However, the Convertible Notes are issued at a 10% discount to their Face Value.
Conversion	The Investor may elect to convert part or all of their Convertible Notes at any time after the date that is two months after the date of issue of the relevant Convertible Note and prior to the relevant Maturity Date, provided that the total face value of such Convertible Notes is not less than the US\$ equivalent of A\$50,000.
Conversion Shares	<p>On conversion, the Company must issue the number of shares calculated in accordance with the following formula.</p> $A = (N \times V) / CP$ <p>Where:</p> <p>A means the number of shares issued on Conversion;</p> <p>N means the number of Convertible Notes specified in the Conversion Notice;</p> <p>V means the aggregate Face Value of the Convertible Notes specified in the Conversion Notice; and</p>

	<p>CP means the conversion price being the lower of:</p> <p>(i) \$0.015 and if the Company issues shares to any other person during the term of the Convertible Notes for a price below A\$0.015 per share the lowest price at which such any shares are issued; and</p> <p>(ii) a price equal to 90% of the average of the four (4) lowest daily VWAPs over the ten (10) trading day period on which trading in shares occurred on ASX immediately prior to the relevant conversion date.</p>
Ranking	<p>Until conversion, the Convertible Notes will be unsecured debt obligations of the Company and rank equally with other unsecured creditors of the Company.</p> <p>The shares to be issued pursuant to the exercise of the Convertible Notes will at all times rank pari passu with all other ordinary shares of the Company.</p>
Voting and dividends	The Convertible Notes do not carry any rights to vote at a general meeting or to receive dividends.
Reconstructions and reorganisations	If there is a reorganisation, reconstruction, consolidation, sub-division or bonus-issue of the capital of the Company, the Convertible Notes and any shares to be issued on conversion shall be reorganised, reconstructed, consolidated or sub-divided on the same basis so that the Investor is treated in the same manner as other the other shareholders in the Company.
Redemption	On the relevant Maturity Date the Convertible Notes will automatically convert, unless the Investor provides at least 5 business days' notice to the Company prior to that Maturity Date that the Convertible Notes are to be redeemed, in which case the Company must redeem such Convertible Notes for the Face Value of those Convertible Notes.
Early redemption of Convertible Notes by the Company	The Company can elect to redeem any Convertible Notes early on 5 business days' notice to the Investor. The Convertible Notes must be redeemed for an amount equal to 110% of the Face Value of the Convertible Notes (payable in US\$ or A\$).
Security	The Convertible Notes are unsecured.
Participation Rights	<p>The Convertible Notes do not carry a right to participate in any pro-rata offer by the Company. However, the Company will give the Investor notice of any such new issue at least 7 Business Days before the record date for determining entitlements to the new issue.</p> <p>Further, if the Company makes a pro-rata offer of shares, if and only to the extent that the Company has placement capacity under Listing Rule 7.1 and 7.1A (as applicable) and the making of the offer would not require the approval of the Company's shareholders or other material regulatory approvals or impose a material burden on the Company, the Company must make an offer to the Investor on terms which correspond with the offer the Investor would have received in respect of the shares had all of the Convertible Notes held by the Investor been converted into shares immediately prior to the Company making the pro-rata offer.</p>
Events of default	<p>The Convertible Note Agreement includes typical events of default, including the following:</p> <ul style="list-style-type: none"> • the Company materially breaching the Convertible Note Agreement, or the <i>Corporations Act 2001</i> (Cth) or the ASX listing rules; • a representation or warranty of the Company being untrue or misleading in any material respect; • the Company failing to pay any financial indebtedness in excess of A\$100,000; • the insolvency or winding up of the Company (voluntary or otherwise) or a receiver or controller being appointed to or taking possession of the assets of the Company; • the Company being suspended from quotation for a period of at least 20 trading days; • the Company repudiating the Convertible Note Agreement or provisions of the Convertible Note Agreement being unlawful or vitiated; or • a material adverse effect occurring in relation to the Company, its subsidiaries and its business taken as a whole.
Covenants	<p>The Convertible Note Agreement includes typical covenants from the Company including the Company and its subsidiaries (without the prior consent of the Investor):</p> <ul style="list-style-type: none"> • not incurring financial indebtedness other than in the ordinary course of business; • not entering into any amalgamation, demerger or merger; • ensuring that no substantial change is made to the general nature of their business; and • not selling, leasing, transferring or otherwise disposing of any asset other than in the ordinary course of business. <p>In addition, the Investor covenants to not engage in any short selling of shares, and to not sell more than the greater of A\$10,000 of shares or 15% of the market traded volume of shares on the ASX on</p>

	the relevant trading day. However, these covenants cease to apply if the daily VWAP of the Company's shares falls below A\$0.007 for any 5 consecutive trading days.
Consequences of an event of default	<p>If an event of default occurs:</p> <ul style="list-style-type: none"> • the Investor may declare all outstanding moneys immediately due and payable and / or terminate its obligations under the Convertible Note Agreement; • the Company indemnifies the Investor; and • the face value of the issued Convertible Notes are increased by 6%, which the parties agree is a genuine pre-estimate of the loss that would be suffered by the Investor in the event that an event of default occurs.
Quotation	The Convertible Notes will not be quoted on the ASX. However, the Company will apply for the Commitment Shares and the new shares issued on the conversion of the Convertible Notes to be quoted on the ASX.
Transferability	The Convertible Notes are not transferrable, except after an event of default has occurred.

INVESTOR ENQUIRIES:

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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.