migme Limited
(ASX : MIG)

ANNUAL REPORT 2016

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Corporate Directory

Directors

Mr. Andi Zain
Non-Executive Chairman

Mr. Steven Goh
Executive Director and CEO

Mr. Yen-Chang (Charles) Pan
Executive Director

Mr. John Lee
Non-Executive Director

Dr. Yichin Lee
Non-Executive Director

Mr. Stephen Llanwarne
Non-Executive Director

Officers

Mr. Michael Higginson
Company Secretary

Mr. Anthony Benino
Chief Financial Officer

Stock Exchange Listing

Australian Securities Exchange: (ASX: MIG)
Deutsche Börse: (WKN: A117AB)

Registered Office

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About migme

Social entertainment services are delivered through the migme platform and portfolio companies alivenotdead and Hipwee.

migme is a community built around mobile chat, mini-blog, virtual gifts, social entertainment and games for mobile devices and the web, with a monetisation model aligned to the emerging markets.

The Company is listed and registered in Australia. Headquarters are in Singapore with offices in Malaysia, Indonesia, Taiwan and Hong Kong. For more information, please visit *http://company.mig.me*

Portfolio

Migme

Social entertainment platform for south east Asian emerging markets.

Headquartered in Malaysia.

www.mig.me

alivenotdead

Artist and social media community.

Headquartered in Hong Kong.

www.alivenotdead.com

Hipwee

Social news site for Indonesian urbanites.

Chairman's Letter

Dear fellow shareholders,

I would like to take this opportunity to share the exciting developments happening within the industry.

migme aims to build a mobile social entertainment platform for emerging markets, and the opportunity in this market is over a billion with the substantial population in in Southeast Asia and India. We've seen successes of companies with similar business models in China and Korea - such as Tencent, last year's IPO for Line Messaging in NYSE - which recorded as the largest initial public offering of 2016 - and the recent IPO of Snapchat. We believe migme sits on the same opportunity and can achieve similar potential.

Southeast Asia has over 350 million mobile broadband users, i.e. people with smartphones and have 3G or 4G connectivity. This number is comparable to the total mobile broadband users in USA, a much more developed market. migme operates and has a strong presence in Indonesia - a key market in Southeast Asia and when you consider the additional 370 million mobile Internet users India, we are looking at exciting growth and have the potential to be a company of true global scale.

2016 has been an interesting year for migme, albeit with tough finance and operational challenges, the company has succeeded in continuing to grow its user base to 36 million and and cash receipts of 24 million, a 97% increase from previous year. We also forged new partnerships with strategic partners, including joint marketing with MNC Group and MOX, providing migme with the ability to expand its content and distribution to reach TV audiences and new markets. The year also signified a transformation of migme to a more result-oriented organisation. Significant cost reduction efforts and consolidation have allowed us to generate a much leaner yet effective team, laying down foundations to achieve profitability sooner.

We would like to thank migme's dedicated staff for their hard work and to all our shareholders for your solid support. It has been a challenging year for the company, but we continue being adamant and focused to bring value to you. We look forward to communicate with you the progress in 2017.

Andi Zain
Chairman

CEO's Report

Dear Shareholders,

Our vision for migme is to build a unique platform for social media users, audience builders, and applications and game developers across South and South East Asia.

migme is at the forefront of the phenomenal growth in internet population and social media users in the region and we have every confidence in making this vision a reality.

While it has been a challenging year for the company, we are excited to see continued progress in MAU growth and encouraging data flowing in from our monetisation strategies, and believe we are well placed to achieve cashflow positive operations in 2017. While we regret the market performance and the operational distraction with the Convertible Note financing in the final quarter of last year, we are proactively managing our cost profile and are strongly focused on monetisation.
Our initial monetisation programs have shown strong results, and in the next year we'll be focusing on scaling and repeating this across our growing user base.

Our successful media partnership with MNC Group, one of Indonesia's largest media company, in December 2016, led to approximately 23 percent of the campaign's audience converting into active migme users. By all counts, this was a successful campaign and gives us confidence in working with more media partners. We are optimistic that we can build a large and meaningful user base through such activities.

With this in mind, I am pleased to provide you with an overview of migme's achievements for the year ending 31 December 2016.

Year in Review

Our achievements during the year illustrate how the migme platform has continued to monetise user engagement, our commitment to reducing operating cashflows as well as the success of our media partnerships:

- Cash receipts almost doubled to A$24 million (including receipts from discontinued operations), up 97% on the previous financial year.
- Lowered operating cost profile – operating cost profile expected to be under $650k a month by April 2017 – representing a reduction of nearly 70% on the same period last year.
- Focus on Quality of operations to transform activities on the platform to revenues.
- Increased Monthly Active Users (MAUs) to 36 million as of end of February 2017.

Building and engaging the audience

The data from our artist engagement program has shown progress as the growth in monthly sales of virtual gifts has been strong, with 25% to 60% month-on-month compounded growth.
This data has reached a level of statistical significance and can be replicated across a wider audience. During the year, we undertook a series of partnerships and alliances to help us bring more artists onto the platform, market migme to a wider audience and increase user engagement:

- Signed a Memorandum of Understanding (MOU) with Meitu, one of the world's largest photo and video editing apps, to implement the sharing of content across the Meitu and migme platforms, localisation and joint marketing.
- Expanded the artist program in India by signing leading entertainment and sports agency Creative Artists Agency (CAA) to create opportunities for migme to bring on more artists and key influencers.
- Launched a new mobile client for Android with a new platform for the easy discovery of games and apps.
- Secured an alliance with SOSV's 'Mobile-Only Accelerator' MOX and the MOX platform, potentially providing the company with access to over 135 million Android smartphones, strategic partnerships in the mobile industry as well as talent and resources.
- Secured a new partnership with Gamespark, providing licensing rights to customise, rebrand and publish four new games for the migme platform to help us drive user engagement and monetisation.
- Partnering with Clipeo, a popular mobile media entertainment company, and Playsino, a leading social casino company, to expand engagement and monetisation.

Operations

The company acknowledges the escalation of costs in 1H 2016 and has moved to improved efficiencies in business processes via:

- Integrating and rationalising acquisitions to focus on the core elements of the platform, with a view of being able to deliver cashflow positive operations in 2017.
- Moving to a hybrid organisational structure and successfully reduced headcount by nearly a third without a substantial loss to business functionality.
- Closing operations in Singapore and moving operations to lower cost centres around Asia
- Moving Product and Engineering teams to Taiwan which has a larger, deeper talent market and a lower cost base.
- Improved internal processes to ensure traffic was properly converted and monetised.

Efficiency gains in marketing – Moving away from 'Above The Line' methods, to partnerships which deliver meaningful MAU growth.

CEO's Report

Looking ahead

Based on data from the last six months, the company believes it can achieve cashflow positive operations in 2017 by keeping operating costs down while growing revenue.

Revenue growth will come from three different initiatives:

- Artist engagement and monetisation
- Media partnerships
- Apps and games

Artist engagement and monetisation

The monetisation of our artist and media engagement has shown strong growth in recent months, and the key now is to grow that across the longer tail, and get more artists on the platform. Our data suggests USD$400 to USD$600 per artist per month may be possible.

Media partnerships

The numerous media partnerships migme has in place has the potential to introduce several hundred thousand content creators onto the platform, especially in our focus markets of India, Indonesia and The Philippines.

For example, the media partnership with the MNC Group has shown that an activity that reaches an audience of 30M has the potential to convert 5M MAUs for migme in one month. In the next year, we plan to run two to three similar activities every month to grow our MAU and deepen the DAU / MAU rates.

Apps and games

Our gaming data from just a small footprint of Android users shows that we're now getting meaningful rates of engagement for third party apps and games, and that monetisation closely follows this growth in engagement. The company is now focused on introducing more apps and games, across more smartphone clients, to grow monetisation.

Based on these three initiatives, plus on stringent focus on cost reduction, the company estimates it may move into cashflow positive operations in the second half of 2017, with timing dependent on a range of business and market factors.

Steven Goh
Chief Executive Officer

Directors' Report

The Directors present their report together with the consolidated financial statements of the consolidated group comprising migme Limited and its subsidiaries (collectively referred to as "migme Limited" or "the Group") for the year ended 31 December 2016 and the auditor's report thereon.

Information on Directors

Directors who held office at the date of this report

Name	**Mr. Andi Zain**
Title	Non-Executive Chairman
Qualifications	B.Bus, MBA, Post Grad Dip in International and Finance Law
Experience and expertise	He has 15 years' experience in building internet and mobile businesses in South East Asia and launched the first content provider and ringtone service in Indonesia. Mr. Zain is also a founder of MobileMonday Indonesia, a networking forum of 400 mobile centric companies in Indonesia. He also runs Ideabox, a tech start up incubator in partnership with Indosat, a mobile carrier in Indonesia.
Other current directorships	None
Former directorships (last 3 years)	Mr. Zain is a former board member of the publicly listed SkyBee Tbk (IDX:SKYB).
Special Responsibilities	Chair, Audit Committee and Member Remuneration Committee
Date of appointment	8 August 2014
Name	**Mr. Steven Goh**
Title	Executive Director , Chief Executive Officer and migme Founder
Qualifications	B.Bus, MBA,
Experience and expertise	Over the past 20 years, Steven has founded Sanford Securities (Australia's first online stockbroking company and a leader in its time), established Bell Direct (one of Australia's largest online wealth management companies), advised a number of start-ups and has been involved with a number of incubators and many other organisation's (ranging from stock exchanges, investment banks, to consumer internet businesses) throughout Australia, USA, Europe and Asia. Steven began his career at the age of 7 programming Fortran at the University of Western Australia's Mathematics Department, courtesy of his father who lectured there. After finishing University in 1990, he worked in Chartered Accounting and then Stockbroking before founding Sanford Securities in 1996. He maintains an avid interest in a range of computing languages and systems architecture. Throughout his career, Steven has been involved in hundreds of capital issues and transactions totaling hundreds of millions of dollars, including raising over US$50m for companies that he founded and led. Steven was awarded the inaugural *Western Australian Business News '40 under 40' award* in 2002 and he was a finalist in the Ernst & Young Entrepreneur of the Year Awards in Australia's Western Region. He has accumulated extensive private and public board experience, is a frequent speaker at conferences in Silicon Valley, Europe, Asia and Australia and has appeared on CNBC, Financial Times, the Economist and Bloomberg.
Other current directorships	None
Former directorships (last 3 years)	None
Special Responsibilities	None
Date of appointment	8 August 2014

Directors' Report

Name	**Dr. Yichin Lee**
Title	Non-Executive Director
Qualifications	B.S., Civil Engineering, M.S. and Ph.D. Resource Planning and Management
Experience and expertise	Dr. Lee is currently managing partner of FCC Partners Inc. and was previously the Senior Advisor and Taiwan Chief Representative of Booz & Co. He was formerly CEO of GigaMedia Limited, a NASDAQ listed company and remains a Director of several NASDAQ listed companies. Dr. Lee has over 20 years of strategy management and corporate experience across China and has a Master of Science and PhD from Stanford University.
Other current directorships	NASDAQ:APWC
Former directorships (last 3 years)	None
Special Responsibilities	Chairman, Risk Committee and member, Remuneration Committee
Date of appointment	8 August 2014

Name	**Mr. Charles Pan**
Title	Executive Director
Qualifications	B.Bus, MBA
Experience and expertise	Mr. Pan has had a 19 year business career and is currently the special assistant to the Chairman and Chief Investment Director of FIH Mobile, part of the Hon Hai Group which is the leading global manufacturing service provider in the 3C (computer, communication and consumer electronics) industries. Prior to joining FIH Mobile, Mr. Pan was General Manager between 2008 and 2012 of Orange Capital, part of France Telecom.
Other current directorships	None
Former directorships (last 3 years)	None
Special Responsibilities	Mr. Pan provides assistance with new business opportunities
Date of appointment	8 August 2014

Name	**Mr. Stephen Llanwarne**
Title	Non-Executive Director
Qualifications	B.Bus (Information Technology)
Experience and expertise	Mr. Llanwarne is a technology professional with over 30 years of commercial global experience across commercial systems, global investment banking and in the last 10 years, the mobile investment space. Mr. Llanwarne has held senior roles with Deutsche Bank, Bankers Trust and Merrill Lynch in their technology divisions. Mr. Llanwarne was also a founding partner and CIO of Zurich Capital Markets Asia.
Other current directorships	None
Former directorships (last 3 years)	None
Special Responsibilities	Member, Risk Committee and Member, Audit Committee
Date of appointment	2 October 2014

Name	**Mr. John Lee**

Directors' Report

Title	Non-Executive Director
Qualifications	Bachelor of Arts (Political Science), Degree in Finance and Operations Management
Experience and expertise	He has previously had multiple executive roles in privately held and publicly listed games companies in both the United States and Asia. He also was a venture capitalist at Softbank Venture Capital and has had consulting roles with McKinsey & Company and Deloitte & Touche in their technology services divisions. He is currently CEO of a mobile games platform company based in Singapore.
Other current directorships	None
Former directorships (last 3 years)	None
Special Responsibilities	Chairman, Remuneration Committee and Member, Risk Committee
Date of appointment	8 August 2014

Directors who resigned during the year

Name	**Mr. Howard Dawson**
Title	Non-Executive Chairman
Qualifications	Bachelor of Science (Geology), SFFINSIA, MAIG
Experience and expertise	Mr. Dawson had an 11 year career as a geologist before entering the securities industry as a research analyst in 1987. Over the subsequent 20 years he fulfilled a number of complementary roles within the securities industry including research, corporate advisory, business development and management for firms including Hartley Poynton, McIntosh Securities, Merrill Lynch and ABN AMRO Morgan's Limited.
Other current directorships	Discovery Capital Limited
Former directorships (last 3 years)	Dampier Gold Limited
Special Responsibilities	Chairman, Risk Committee and Member, Audit Committee
Date of appointment	8 August 2014
Date of resignation	31 May 2016

Directors' Report

Name	**Mr. Dmitry Levit**
Title	Non-Executive Director
Qualifications	School of Management of St. Petersburg State University, Russia Specialist (M.Sc), International Management
Experience and expertise	Mr. Levit has a Master in Science in International Management from St. Petersburg State University in Russia and a MBA from INSEAD in Singapore. He is a partner of Digital Media Partners which is a venture capital firm within the technology sector. He has extensive experience in the emerging markets internet space and has previously held a variety of business development and investment roles with Yahoo and IDG Ventures in South East Asia.
Other current directorships	None
Former directorships (last 3 years)	None
Special Responsibilities	Chairman, Audit Committee
Date of appointment	8 August 2014
Date of resignation	5 May 2016

Name	Ms. Chieh Suang Khor
Title	Non-Executive Director (Alternate Director for Mr. Dmitry Levit)
Qualifications	Bachelor of Engineering, Electrical and Electronics
Experience and expertise	Ms. Khor is a principal at Digital Media Partners, a Singapore based media investment and venture capital company. She commenced her career as a Senior Officer at the Singapore Economic Development Board in 2004.
Other current directorships	None
Former directorships (last 3 years)	None
Special Responsibilities	None
Date of appointment	8 August 2014
Date of resignation	5 May 2016

Name	**Po-Hsiang Wang**
Title	Non-Executive Director
Qualifications	Master of Business Administration (majoring in Finance), National Taiwan University Bachelor of College Management (majoring in Business Administration), National Taiwan University
Experience and expertise	After a seven-year career in corporate banking with Taiwan's Cosmos Bank and then the China Development Industrial Bank, in August 2005 Mr. Wang commenced working with the Foxconn Group, initially as an Investment Project Manager. In 2007, Mr. Wang was elevated to Business Development Manager, wherein he was the head of the China-site development department of the iPhone / iPod EMS business whose revenue accounted for a large portion of Foxconn's entire revenue. In mid 2014, Mr. Wang joined the investment department of Foxconn's cellphone business group and in May of this year was promoted to his current position of Chief Investment Director.
Other current directorships	None
Former directorships (last 3 years)	None
Special Responsibilities	None
Date of appointment	24 August 2016
Date of resignation	7 December 2016

Directors' Report

Company Secretary

Mr. Higginson is the holder of a Bachelor of Business Degree. Mr. Higginson was appointed Company Secretary on 12 June 2009. Mr. Higginson was formerly an executive officer with the Australian Securities Exchange and has, over the last 2 years, held numerous company secretarial and directorship roles with a range of public listed companies both in Australia and the UK.

Mr.Higginson is a member of the audit and risk committees.

Directors Meetings

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of migme Limited during the year are:

	Board Meetings		Remunerations Committee Meetings*		Audit Committee Meetings		Risk Committee Meetings*	
	A	B	A	B	A	B	A	B
Mr. Dawson	8	8	-	-	1	1	-	-
Mr. Goh	25	25	-	-	-	-	-	-
Mr. Pan	19	25	-	-	-	-	-	-
Mr .Levit	7	7	-	-	1	1	-	-
Mr. Zain	24	25	-	-	1	1	-	-
Mr. John Lee	21	25	-	-	-	-	-	-
Dr. Yichin Lee	22	25	-	-	1	1	-	-
Mr. Llanwarne	25	25	-	-	1	1	-	-
Mr. Wang	6	8	-	-	-	-	-	-
Ms. Khor	0	7	-	-	-	1	-	-

A *Number of meetings attended.*

B *Number of meetings held during the time the Director held office during the year.*

* All matters for the Remunerations and Risk Committee's were dealt with by the full Board.

Principal Activities

The principal activity of migme Limited during the year was as a global digital media company focused on the emerging markets of Southeast Asia.

Operating and Financial Review

a) Operational Overview

During the year, the Company continued to develop its presence in the key target markets; Indonesia, India and the Philippines.

Monthly Active Users ("MAU")* finished the year at 33m, slightly up on the previous year following rationalisation of the company's properties whereby an increased focus is being applied on platform users with the greatest potential for retention, engagement and monetisation.

The company's negative gross margin increased by $2,654,649 to $10,057,767 an increase of 36%.This was materially due to the increased costs associated with revenue sharing, artist and partner engagement programs, community engagement programmes, license fees associated with new third party applications and games and e-commerce operations. Underlying external marketing costs were broadly in line with the prior year.

Other operating andand finance expenses from continuing operations were 4% lower on the prior year representing $590,389.556,586. This saving has been derived from rationalisationratioalisation of costs which commenced in the second half of 2016. TheThe company has reduced costs in several areas of the business by redeploying assets to lower cost offices, streamlining roles and responsibilities and thethe cessation ofactivities which do not directly accretive user engagement and monetisation imperatives. The company does not expect these cost savings will negatively impact the ability to achieve its strategic objectives and vision.

The company discontinued operations in its subsidiary PT Shopdeca which contributed a loss for the year of $1,983,977 of which $1,521,863 was recognised impairment of goodwill.

* Consistent with industry practice, Monthly Active Users are independently provided by Google Analytics and are a consolidation of the Company's traffick from web, mobile web, feature phones, Android and iPhone client usage for migme, HIpwee and alivenotdead.

b) Summary of Financial Performance

	2016 $	2015 (Restated) $	Change %
Operating revenue – continuing operations	12,088,200*	10,812,581*	12
Gross loss	(10,057,767)*	(7,403,118)*	36
Loss before interest, tax, depreciation and amortisation	(21,799,440)	(20,747,537)	5
Loss before interest and tax	(22,207,636)	(21,020,515)	5
Loss after tax from continuing operations	(23,144,827)	(21,043,225)	10
Loss from discontinued operations	(1,983,977)	-	100
Basic earnings/(loss) per share (for continuing operations) *($ per share)*	(0.08)	(0.08)	-
Diluted earnings/(loss) per share (for continuing operations) *($ per share)*	(0.08)	(0.08)	-
Basic earnings/(loss) per share (for discontinuing operations) *($ per share)*	(0.01)	-	-
Diluted earnings/(loss) per share (for discontinuing operations) *($ per share)*	(0.01)	-	-

***** The Group purchased and sold game vouchers under a Business-to-Business sales strategy where it was previously assessed that the Group acted as a principal. A reassessment of these activities under the arrangement has concluded that these transactions are not revenue generating and were conducted for marketing purposes to promote migme's presence in the Business to Business gaming channel. Accordingly, the prior period revenue has been reduced by $1,372,259 and the cost of sales reduced by $1,546,404. Marketing expenses has been increased by the net amounta facilitator of $174,145. The restatement had no impact on earnings per share for the year ended 31 December 2015.

c) Summary of Financial Position

	2016 $	(Restated) 2015 $	Change %
Current Assets	**3,180,552**	9,102,154	-65
Non-current Assets	**1,285,781**	1,394,072	-8
Total Assets	**4,466,333**	**10,496,226**	-57
Current Liabilities	**4,719,336**	3,228,926	46
Non-current Liabilities	**-**	2,453,168	-100
Total Liabilities	**4,719,336**	**5,682,094**	-17
Net (Liabilities)/ Assets	**(253,003)**	**4,814,132**	-100

d) Future developments and expected results

In 2017 the key focus for migme is to:

- Continue to grow its user base in its key target markets of India, Indonesia and the Philippines;
- Increase user engagement through the artist partner program; community programs and third party apps and games;
- Evolve the artist and partner program to continue to increase monetization rates and revenue rates per partner through ongoing education and the increased engagement of migme's user base;
- Continue to drive and expand its portfolio of games and applications;
- Strong focus on expense management with a focus on delivering positive cash flow from operations in 2017.

Dividends

No dividends were declared or paid for the financial years ended 31 December 2016 and 31 December 2015.

Significant Events after Balance Date

Convertible Notes

During January 2017, Migme Ltd entered into Convertible Note Deeds resulting in proceeds of $345,000 being received before corporate fees. The key terms of the convertible note are:

- Maturity Date – 31 December 20172016
- Coupon rate of 10% per annum
- Conversion price of $0.20
- Convertible after 90 days of signing convertible note deed
- 2 free attaching options issued for each share converted

Sale of operating assets

OnOApril 26 April 2017, migme Limited announced an agreement with listed (SPCL:US) Nevada based Solaris Power Cells, Inc (Solaris), whereby Solaris is to acquire the operating assets of migme Ltd in scrip based transaction. Pursuant to the Agreement, Solaris is to acquire 100% of the issued capital of Project Goth, Inc. (Project Goth), a 100% owned subsidiary of migme that owns the Singapore and other operating companies, including all the Company's intellectual property, in consideration for the issue of 5,081,210,431 Solaris shares. Solaris's fully diluted issued capital is currently 11,178,662,949 shares. Solaris will issue a further 4,064,968,345 shares for an Employee Share Options Scheme (ESOP) and to advisers associated with the transaction. Employees and associates of migme may be beneficiaries of the ESOP in the future, but as yet, any allocations have yet to be determined.

The transaction is conditional upon a US$1.5 million financing of Project Goth (Financing), to be completed prior to the migme shareholder meeting which is to be held to approve the transaction. Under the proposed Financing, Project Goth will issue US$1.5 million of convertible notes that are redeemable in 3 months with a coupon rate of 10% and secured by the operating assets of Project Goth. Immediately prior to completion of the Solaris transaction, such notes will automatically convert into Project Goth shares representing one-third of the issued shares in Project Goth. Upon completion of the Solaris transaction, Solaris shares are to be issued to all Project Goth shareholders (i.e.ie migme and the note holders) and to key employees and affiliates.

As at the date of this report US$100,000 of the US$1.5m had been placed.

Directors' Report

The final details of the transaction will be describeddescrived in a notice of meeting to be sent to all shareholders. The transaction and the Financing represents a disposal of the Company's majorCompanys' major undertaking and, as such is subject to the regulatory and migme shareholder approval.

Statutory demand

On 10 May 2017, the Group received a Statutory Demand from a convertible noteholder for the repayment of $315,616 plus additional interest as accrued from 18 February 2017, within 21 days.

Other

There has been no other matter or circumstance that has arisen since 31 December 2016 which has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

Environmental Regulation

The Group is not subject to any significant environmental regulations in respect of its operations. The Group has not incurred any liability (including any liability for rectification costs) under any environmental legislation.

Significant changes in the state of affairs

On 31 March 2016, the Group completed the acquisition of an Indonesian ecommerce business ("PT Shopdeca Global"). PT Shopdeca Global is an ecommerce company based in Indonesia. PT Shopdeca Global provides the Group with:

- A business license to undertake eCommerce activities in Indonesia, which is closed to foreign ownership;
- An established eCommerce business which can be integrated into the Group's global eCommerce operations; and
- Management and expertise to lead the Group's global eCommerce strategy.

In the same financial year in December 2016, the Board decided to discontinue the Shopdeca business due to foreseeable losses and on-going uncertainty of this business. This operation has been classified as discontinued operation for the financial year. The terms of discontinuation were agreed and finalised subsequent to year end in January 2017. The key terms of the disposal of PT Global Shopdeca were as follows:

- Payment to the founder of PT Global Shopdeca of $87,410; and
- PT Global Shopdeca assumes ownership and responsibility of all the assets and liabilities subsequent to 31 December 2016.

Directors' Interests

The relevant interest of each Director in shares, debentures, interest in registered schemes and rights or options over such instruments issued by the companies within migme Limited and other bodies corporate, as notified by the Directors to the ASX in accordance with s205G(1) of the Corporations Act 2001, at the date of this report are as follows:

Name	Ordinary Shares	Options over unissued ordinary shares	Options over existing issued ordinary shares
Mr. Andi Zain	2,116,231	–	550,088
Mr. Steven Goh	20,304,238	9,950,000	66,735
Mr. Charles Pan	–	–	–
Mr. John Lee	2,899,304	–	1,100,175
Dr. Yichin Lee	–	200,000	–
Mr. Stephen Llanwarne	662,206	500,000	825,131

Directors' Report

Share Options

At the date of this report, there are 22,120,431 unissued ordinary shares in respect of which options are o utstanding.

	Number of Options
Balance at the beginning of the year	26,185,676
Movement of share options during the year	
Options issued	250,000
Options exercised	(936,018)
Options cancelled, expired and forfeited	(3,085,857)
Total number of share options outstanding as at 31 December 2016	**22,413,801**
Total number of share options outstanding as at the date of this report	**22,120,431**

The balance is comprised of the following:

Date options granted	Expiry date	Exercise price	Number of options
Various dates by Project Goth Inc transferred to Migme Ltd as part of	30 May 2024	$0.04 to $2.00	4,565,592
15 October 2014	15 October 2019	$0.20	1,442,729
15 October 2014	15 October 2019	$0.36	399,947
18 December 2014	30 November 2019	$0.40	600,000
23 December 2014	31 December 2018	$0.70	1,300,000
19 June 2014	31July 2017	$0.20	7,500,000
1 January 2015	4 July 2017	$0.70	50,000
1 January 2015	31 December 2018	$0.70	1,126,191
1 March 2015	31 December 2018	$0.70	875,000
27 July 2015	31 July 2019	$0.70	32,566
27 July 2015	31 July 2019	$1.20	1,226,501
23 September 2015	31 October 2019	$1.20	51,905
14 December 2015	31 July 2019	$1.20	2,750,000
1 January 2016	31 January 2020	$1.20	150,000
30 March 2016	31 January 2018	$0.65	50,000
Total number of options outstanding as at the report date			**22,120,431**

No person entitled to exercise any option referred to above has had, by virtue of the option, a right to participate in any share issue of any other body corporate.

For details of options issued to Directors and executives as remuneration, refer to the Remuneration Report.

Indemnification and Insurance of Officers

To the extent permitted by law, the Group has agreed to indemnify the directors and officers of the Group for any:

(i) liability for any act or omission in their performance as director or officer; and

(ii) costs incurred in settling or defending any claim or proceeding relating to any such liability, not being a criminal liability.

During the year, migme Limited paid a premium of $36,002 (2015: $37,665) in respect of a contract insuring the directors and officers against a liability incurred by such Director or officer to the extent permitted by the Corporations Act 2001.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify the auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 31 December 2016 has been received and immediately follows the Directors' Report.

Non-audit Services

No fees for non-audit services were paid to the external auditors during the year ended 31 December 2016 (2015: nil).

Proceedings on Behalf of the Group

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

Remuneration Report - audited

This remuneration report for the year ended 31 December 2016 outlines the remuneration arrangements of migme Limited in accordance with the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report is presented under the following sections:

1. Introduction
2. Remuneration governance
3. Executive remuneration for the year ended 31 December 2016
4. Service agreements
5. Non-Executive Director remuneration
6. Proportions of fixed and non-fixed remuneration
7. Equity instruments

1. Introduction

This remuneration report details the remuneration arrangements for Key Management Personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, either directly or indirectly, including any Director (whether executive or otherwise) of the parent entity. The KMP's during the year ended 31 December 2016 were as follows:

Name	Position	Term as KMP
Non-executive Directors		
Mr. Andi Zain	Non-Executive Chair (From 1 June 2016)	Full financial year
Mr. John Lee	Non-Executive Director	Full financial year
Dr. Yichin Lee	Non-Executive Director	Full financial year
Mr. Stephen Llanwarne	Non-Executive Director	Full financial year
Mr. Howard Dawson	Non-Executive Chair	Ceased 31 May 2016
Mr. Dmitry Levit	Non-Executive Director	Ceased 5 May 2016
Ms. Chieh Suang Khor	Alternate Non-Executive Director to Mr. Dmitry Levit	Ceased 5 May 2016
Mr. Po-Hsiang Wang	Non-Executive Director	Appointed 24 August 2016 Ceased 7 December 2016
Executive Directors		
Mr. Steven Goh	Chief Executive Officer	Full financial year
Mr. Yen Chang (Charles) Pan	Executive Director	Full financial year
Executives		
Mr. Anthony Benino	Chief Financial Officer	Full financial year

Shareholders of migme Limited have fixed the sum payable to non-executive Directors by way of remuneration for their services at a combined maximum of $500,000 per annum.

2. Remuneration governance

The following table shows the Company's performance over the reporting period and the previous three financial years against overall remuneration for these years:

	2016	2015	2014
Basic EPS (AU$)	($0.08)	($0.08)	($0.21)
Year end share price (AU$)	$0.086	$0.885	$0.85
Market Capitalisation (AU$)	$27,189,148	$242,522,585	$213,887,212
Total KMP Remuneration (AU$)	$1,152,459	$2,287,091	$691,998

The members of the Company's remuneration committee are Mr. John Lee (Chair), Dr. Yichin Lee and Mr. Andi Zain.

The Company has not used any remuneration consultants in the year.

In line with the Remuneration Committee Charter ("the Charter"), the role of the remuneration committee is:

- To review and make recommendations to the Board on remuneration packages and policies related to Directors and senior executives; and
- To ensure that the remuneration policies and practices are consistent with migme Limited's strategic goals and human resource objectives.

The remuneration committee membership is made up of members of the Board. For the year ended 31 December 2016, Mr. Lee acted as chair of the committee. Details of the remuneration committee meetings are contained in the Directors' report.

3. Executive remuneration for the year ended 31 December 2016

The aim of migme Limited's remuneration strategy is to align remuneration with the strategic direction of migme Limited. Fixed remuneration is set at a level that is competitive to the market.

Ordinary shares and/or options to acquire ordinary shares have also been granted to executives to ensure the alignment of remuneration with the creation of shareholder wealth and provide a tangible link between remuneration outcomes with both the Group's and individual performance

		Short Term Benefits			Post-Employment Expenses	Equity Settled Share Based Payments			
	Year	Salary $	Bonus $	Annual Leave $	Superannuation $	Shares $	Options $	Total $	Performance related %
Executive Directors									
Mr. Steven Goh	**2016**	**341,226**	**-**	**33,793**	**-**	**-**	**-**	**375,019**	**0**
	2015	309,305	99,187*	8,917	-	-	933,205	1,350,614	0
Mr. Charles Pan	**2016**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0**
	2015	-	-	-	-	-	-	-	0
Executives									
Mr. Anthony Benino	**2016**	**420,000**	**-**	**-**	**-**	**-**	**59,190**	**479,190**	**0**
	2015	122,500	-	-	-	-	76,800	199,300	0
Mr. Patrick Wong	**2016**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0**
	2015	115,118	-	-	-	149,229	-	264,347	0

* This short term benefit relates to a discretionary bonus determined by the Remuneration Committee for the financial year ended 31 December 2015.

4. Service agreements

Remuneration and other terms of employment for key management personnel are fomalised in service agreements. Details of these agreements for executives are as follows:

Name	**Steven Goh**
Title	Chief Executive Officer
Agreement commenced	1 December 2015
Term of agreement	Open ended
Details	**Termination of employment:** • By either party on giving 3 months notice; • Immediately by the consolidated entity on payment in lieu of notice or without notice or payment in lieu in the case of any serious misconduct. Excluding payment in lieu of notice, the contract does not specify any termination payment. **Equity Compensation:** 2,733,116 options subject to shareholder approval.

Name	**Anthony Benino**
Title	Chief Financial Officer
Agreement commenced	1 December 2015
Term of agreement	Open ended
Details	**Termination of employment:** • By either party on giving 3 months notice; • Immediately by the consolidated entity on payment in lieu of notice or without notice or payment in lieu in the case of any serious misconduct. Excluding payment in lieu of notice, the contract does not specify any termination payment. **Equity Compensation:** 2,000,000 options subject to Board approval.

5. Non-Executive Director remuneration

migme Limited's Non-Executive Director remuneration strategy is to ensure that remuneration is competitive with companies of similar size. The remuneration can be in a combination of fixed fees and/or award of ordinary shares/options to acquire ordinary shares.

		Short Term Benefits	Post-Employment Benefits	Equity Settled Share Based Payments			
	Year	Fees and Allowances $	Superannuation $	Shares $	Options $	Total $	Performance Related %
Mr. Howard Dawson*	**2016**	**31,250**	**-**	**-**	**-**	**31,250**	**0**
	2015	75,000	-	-	37,520	112,520	0
Dr. Yichin Lee	**2016**	**37,500**	**-**	**-**	**-**	**37,500**	**0**
	2015	37,500	-	-	37,520	75,020	0
Mr. Stephen Llanwarne	**2016**	**229,500**	**-**	**-**	**-**	**229,500**	**0**
	2015	133,500	-	-	151,790	285,290	0
Mr. Andi Zain	**2016**	-	-	-	-	-	-
	2015	-	-	-	-	-	-
Dr. Yichin Lee	**2016**	-	-	-	-	-	-
	2015	-	-	-	-	-	-
Mr. Dmitry Levit	**2016**	-	-	-	-	-	-
	2015	-	-	-	-	-	-
Mr Po-Hsiang Wang	**2016**	-	-	-	-	-	-
	2015	-	-	-	-	-	-
Ms. Chieh Suang Khor	**2016**	-	-	-	-	-	-
	2015	-	-	-	-	-	-

* Remuneration disclosed is for the period up to date of resignation as a member of key management personnel.

Directors' Report

6. Equity instruments

6.1. Options over equity instruments granted as compensation during the year

There were no options issued to acquire unissued ordinary shares in migme Ltd during the year.

6.2. Exercise of options during the year granted as compensation

No options to acquire unissued ordinary shares held by KMP were exercised during the year ended 31 December 2016 (2015: nil).

6.3. Vesting Details of equity incentives affecting current and future remuneration

6.3.1. Options

Details of vesting profiles of non-exercised options held by each KMP are detailed below:

Name	Number of Options	Grant Date	Vested during the year %	Forfeited during the year %	Vested at 31 December 2016 %	Financial year in which grant fully vests
Mr. Howard Dawson	200,000	27 Nov 14	0%	0%	100%	2015
Dr. Yichin Lee	200,000	27 Nov 14	0%	0%	100%	2015
Mr. John Lee	1,100,175	18 Sep 12	0%	0%	100%	2012
Mr. Andi Zain	550,088	18 Sep 12	0%	0%	100%	2012
Mr. Stephen Llanwarne	200,000	27 Nov 14	0%	0%	100%	2015
	300,000	14 Dec 15	0%	0%	100%	2015
	825,131	18 Sep 12	0%	0%	100%	2012
Mr. Steven Goh	7,500,000	19 Jun 14	0%	0%	100%	2015
	2,450,000	14 Dec 15	0%	0%	100%	2015
	66,735	19 Mar 09	0%	0%	100%	2009
Mr. Anthony Benino*	300,000	27 Jul 15	100%	0%	100%	2016

* There were no performance conditions associated with vesting of the options – options vest over a 9 month service period as a retention mechanism.

6.3.2. Restricted shares issued as compensation

Details of vesting profiles of restricted shares held by each KMP of the Group are detailed below.

Name	Number of Shares	Grant Date	Vested during the year %	Forfeited during the year %	Vested at 31 December 2016 %	Financial year in which grant vests
Mr. Andi Zain	2,116,231	5 Aug 14	0%	0%	100%	2014*
Mr. John Lee	2,899,304	5 Aug 14	0%	0%	100%	2014*
Mr. Stephen Llanwarne	508,028	5 Aug 14	0%	0%	100%	2014*

- These have become unrestricted shares on 11 August 2016.

6.4. Analysis of movements in equity instruments – Forfeiture/Exercise

The were no options over ordinary shares in migme Limited granted to, forfeited or exercised by any key management person during the reporting period.

6.5. Options over equity instruments – movement during the year

The movement during the year, by number of options to acquire ordinary shares in migme Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

Name	Held at 1 January 2016	Granted during the year	Held at 31 December 2016	Vested and exercisable at 31 December 2016
Mr. Howard Dawson	200,000	–	200,000	200,000
Mr. Dmitry Levit	–	–	–	–
Mr. Andi Zain	550,088	–	550,088	550,088
Mr. John Lee	1,100,175	–	1,100,175	1,100,175
Dr. Yichin Lee	200,000	–	200,000	200,000
Mr. Stephen Llanwarne	1,325,131	–	1,325,131	1,325,131
Mr. Steven Goh	10,016,735	–	10,016,735	10,016,735
Mr. Yen Chang (Charles) Pan	–	–	–	–
Mr. Po-Hsiang Wang	–	–	–	–
Mr. Anthony Benino	300,000	–	300,000	300,000
Ms. Chieh Suang Khor	–	–	–	–

6.6. Shareholdings – movement during the year

The movement during the year in the number of ordinary shares in migme Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, up to the time they remained a key management person is as follows:

Name	Held at 1 January 2016	Issued on exercise of options	Purchased	Other	Held at 31December 2016
Mr. Howard Dawson	1,097,160	–	–	1,097,160 (ii)	–
Mr. Dmitry Levit (i)	10,434,619	–	–	10,434,619 (i)	–
Mr. Andi Zain	2,116,231	–	–	–	2,116,231
Mr. John Lee	2,899,304	–	–	–	2,899,304
Dr. Yichin Lee	–	–	–	–	–
Mr. Stephen Llanwarne	662,206	–	–	–	662,206
Mr. Steven Goh	20,244,238	–	66,735	–	20,310,973
Mr. Yen Chang (Charles) Pan	–	–	–	–	–
Mr. Po-Hsiang Wang		–	–	–	
Mr. Anthony Benino	–	–	–	–	–
Ms. Chieh Suang Khor	–	–	–	–	–

(i) Mr. Levit's interest is by virtue of Digital Media Partners.

(ii) Represents shares held at date of ceasing to be KMP

Directors' Report

6.7. Loan to related party

During the financial year ended 31 December 2016, $95,622 loan advanced to a director, with details outlined as below:

	Beginning of period $	Interest charged $	Write-off or allowance for doubtful debt $	Balance at end of period $
2016	95,622	-	-	95,622

Loans to directors are unsecured, interest free and no fixed terms of repayment.

6.8. Key Management Personnel Transactions

During the financial year ended 31 December 2016, the following amounts were paid to the following KMP related entities:

	Associated with	Nature of Transaction	Expensed 2016 $	Commitments at 31 December 2016 $
Discovery Capital Limited	H. Dawson	Rent and general outgoings for Perth office (ceased June 2016).	6,000	0
PT Puntak Teknologi	A. Zain	Rent and associated service fee for Indonesian office.	33,469	19,987
Numerella Consulting Pty Ltd	S. Llanwarne	Consulting fees.	192,000	0
Liberty Executive Offices Pty Ltd	H. Dawson	Rent for Perth office (from April 2016).	11,952	3,984
Total			**243,421**	**123,141**

All transactions were made on normal commercial terms and conditions and at market rates. There are no outstanding liabilities at 31 December 2016.

End of remuneration report.

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

Directors. On behalf of the Directors

Mr. Steven Goh

Director

25 May 2017

Building a better
working world

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Auditor's Independence Declaration to the Directors of migme Limited

As lead auditor for the audit of migme Limited for the year ended 31 December 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 audit; and

b. no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Ernst & Young

T G Dachs
Partner
25 May 2017

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2016

	Note	Consolidated 2016 $	(Restated) 2015 $
Revenue	4	12,088,200	10,812,581
Cost of sales	4	(22,145,967)	(18,215,699)
Gross loss		(10,057,767)	(7,403,118)
Marketing expenses		(1,808,319)	(1,863,930)
Other operating income		148,470	114,667
Research and development expenses	4	(3,042,856)	(3,405,355)
Administrative expenses	4	(7,109,439)	(8,129,561)
Other expenses	4	(303,878)	(333,218)
Finance costs	4	(930,958)	(19,972)
Loss from continuing operations before tax		**(23,104,747)**	**(21,040,487)**
Income tax expense		(6,233)	(2,738)
Loss from continuing operations after tax		**(23,110,980)**	**(21,043,225)**
Loss from discontinued operation after tax	6	(1,983,977)	-
Total loss from operations after tax		**(25,094,957)**	**(21,043,225)**
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss		**-**	**-**
Foreign currency translation		(753,252)	(33,202)
Other comprehensive income, net of tax		**(753,252)**	**(33,202)**
Total comprehensive loss		**(25,848,209)**	**(21,076,427)**
Total comprehensive loss attributable to owners of the Group		**(25,848,209)**	**(21,076,427)**
Earnings/(loss) per share (cents per share)			
Basic earnings/(loss) per share (for continuing operations)	23	(0.08)	(0.08)
Diluted earnings/(loss) per share (for continuing operations)	23	(0.08)	(0.08)
Basic earnings/(loss) per share (for discontinuing operations)		(0.01)	-
Diluted earnings/(loss) per share (for discontinuing operations)		(0.01)	-
Basic earnings/(loss) per share (for continuing and discontinuing operations)		(0.08)	(0.08)
Diluted earnings/(loss) per share (for continuing and discontinuing operations)		(0.08)	(0.08)

The consolidated statement of profit or loss and other comprehensive income or loss 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 3).

Consolidated Statement of Financial Position

As at 31 December 2016

	Note	Consolidated 2016 $	(Restated) 2015 $
ASSETS			
Current assets			
Cash and cash equivalents	8	283,134	8,658,446
Prepayments	31	2,184,298	251,432
Inventories	9	7,226	100,363
Income tax receivable		7,609	9,709
Trade and other receivables	10	354,778	82,204
Disposal group classified as held for sale	6	343,507	-
Total current assets		**3,180,552**	**9,102,154**
Non-current assets			
Leasehold improvements and equipment	11	506,613	582,761
Goodwill	12	643,122	643,122
Other non-current financial assets	13	136,046	168,189
Total non-current assets		**1,285,781**	**1,394,072**
Total assets		**4,466,333**	**10,496,226**
LIABILITIES			
Current liabilities			
Trade and other payables	14	1,901,796	1,693,669
Provisions	15	209,252	209,016
Deferred revenue	16	47,071	318,456
Deferred consideration	17	68,512	68,512
Convertible notes designated at fair value through profit and loss	18	895,265	-
Convertible notes at amortised cost	18	1,166,523	-
Liabilities associated with disposal group	6	430,917	-
Total current liabilities		**4,719,336**	**2,289,653**
Non-current liabilities			
Convertible notes at amortised cost	18	-	2,540,668
Derivative financial liability	18	-	851,773
Total non-current liabilities		**-**	**3,392,441**
Total liabilities		**4,719,337**	**5,682,094**
Net (liabilities)/assets		**(253,003)**	**4,814,132**
(SHAREHOLDERS' DEFICIT) / EQUITY			
Contributed equity	19	115,396,176	95,913,792
Reserves	20	11,708,464	11,163,026
Accumulated losses	22	(127,357,643)	(102,262,686)
Total (shareholders' deficit)/ equity		**(253,003)**	**4,814,132**

The 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 3).

Consolidated Statement of Changes in Equity

As at 31 December 2016

	Contributed equity $	Share based payment reserves $	Foreign Currency Translation Reserve $	Convertible note equity 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 year	-	-	-	-	(21,043,225)	**(21,043,225)**
Foreign currency translation movement	-	-	(33,202)	-	-	**(33,202)**
Total comprehensive loss for the year -as previously stated	**-**	-	**(33,202)**	**-**	**(21,043,225)**	**(21,076,427)**
Transactions with owners of the Group						
Recognition of share based payments	-	2,989,234	-	-	-	**2,989,234**
Equity component of convertible notes	-	-	-	202,353	-	**202,353**
Issue of share capital (note 19)	16,679,334	-	-	-	-	**16,679,334**
Balance as at 31 December 2015 as previously stated	**95,272,002**	**7,685,899**	**3,477,127**	**202,353**	**(102,250,217)**	**4,387,164**
Restatement of comparatives (note 3)	641,790	-	-	(202,353)	(12,469)	**426,968**
Balance as at 31 December 2015 - restated	**95,913,792**	**7,685,899**	**3,477,127**	-	**(102,262,686)**	**4,814,132**

	Contributed equity $	Share based payment reserves $	Foreign currency translation reserve $	Convertible note equity reserve $	Accumulated losses $	Total $
Balance as at 1 January 2016 - restated	95,913,792	7,685,899	3,477,127		(102,262,686)	**4,814,132**
Comprehensive income						
Loss for the year	-	-	-	-	(25,094,957)	(25,094,957)
Foreign currency translation movement	-	-	(753,252)	-	-	(753,252)
Total comprehensive loss for the year	**-**	**-**	**(753,252)**	**-**	**(24,094,957)**	**(25,848,209)**
Transactions with owners of the Group						
Recognition of share based payments	-	1,280,520	-	-	-	1,280,520
Issue of options for Hipwee acquisition	-	18,170	-	-	-	18,170
Issue of share capital	20,295,792	-	-	-	-	20,295,792
Capital raising costs	(813,408)	-	-	-	-	(813,408)
Balance as at 31 December 2016	**115,396,176**	**8,984,589**	**2,723,875**	**-**	**(127,357,643)**	**(253,003)**

Consolidated Statement of Cash Flows

for the year ended 31 December 2016

	Note	Consolidated 2016 $	2015 $
Cash flows from operating activities			
Receipts from customers		23,799,534	12,436,021
Payments to suppliers and employees		(44,783,610)	(29,500,799)
Income taxes paid		-(4,511)	(10,419)
Net cash used in operating activities	8(b)	**(20,984,076)**	**(17,075,197)**
Cash flows from investing activities			
Payment for leasehold improvement and equipment		(338,860)	(328,039)
Net cash paid on acquisition of businesses	29	(895,212)	23,264
Other investments		15,000	387,996
Net cash (used in)/from investing activities		**(1,219,072)**	**83,221**
Cash flows from financing activities			
Proceeds from issue of convertible notes	18	809,148	3,500,000
Repayment of convertible note		(2,735,593)	-
Proceeds from issue of shares		17,033,296	17,110,000
Payment for capital raising costs		(813,408)	(1,103,382)
Payment of convertible note interest		(294,271)	-
Proceeds from exercise of share options	19	69,540	139,407
Net cash from financing activities		**14,068,712**	**19,646,025**
Net (decrease)/increase in cash and cash equivalents		**(8,134,436)**	**2,654,049**
Cash and cash equivalents at the beginning of the year		8,658,446	5,926,090
Effect of movements in exchange rates on cash held		(240,876)	78,307
Cash and cash equivalents at the end of the year	8	**283,134**	**8,658,446**

Notes to the Financial Statements
31 December 2016

1. Corporate Information

migme Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange and the entity is a for-profit entity. The consolidated financial statements of migme Limited as at and for the year ended 31 December 2016 comprise the financial statements of migme Limited and its subsidiaries (as outlined in note 28), were authorized for the issue in accordance with a resolution of the Directors on xx May 2017.

The nature of operations and principal activities of migme Limited are described in the Directors' report.

2. Significant Accounting Policies

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for certain assets and liabilities, which as noted, have been measured at fair value basis.

This financial report complies with the Corporations Act 2001, Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(b) Going concern

The financial statements have 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 year ended 31 December 2016 of $23,110,980 (2015: $21,043,225) and a net cash outflow from operating activities of $20,984,076 (2015: $17,075,197). As at 31 December 2016, the Group has working capital deficit of $1,538,785 (2015 working capital surplus: $6,812,501) and a total net deficit of $253,003 (2015: not assets of $4,814,132). As disclosed in Note 27, on 10 May 2017, the Group received a Statutory Demand from a convertible noteholder for the repayment of $315,616 plus additional interest as accrued from 18 February 2017, within 21 days.

The Group's ability to continue as a going concern and pay its debts as and when they fall due, is dependent on the Group securing funding in the immediate future that is sufficient to meet the Group's current obligations and to fund future working capital needs. The Group may also need to raise further capital during the next 12 months to fund ongoing operations and to fund the strategic initiatives of the Group.

The Directors have reviewed the business outlook and cash flow forecast and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group will achieve the matters set out above. As such, the Directors believe that they will continue to be successful in securing additional funds as and when the need to raise working capital arise.

Should the Group not be able to achieve the 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 amounts different from those stated in the financial statements. 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.

(c) Presentation and functional currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group entity are expressed in Australian dollars ("AUD"), which is the functional currency of migme Limited and the presentation currency for the consolidated financial statements.

(d) Reclassification of expenditure in the Statement of Comprehensive Income

The Directors have chosen to classify expenses by function as it is more relevant for the type of operations undertaken by the Group. As a result of the mixed presentation basis used in prior years, expenses amounting to $5,172,278 in 2015 have been reallocated to cost of sales to reflect the functional categorisation of this expenditure.

(e) New accounting standards and interpretations

New standards effective from 1 January 2016

The Group has adopted all new and amended accounting standards and interpretations effective from 1 January 2016. The adoption of these new and amended standards and interpretations had no impact on the Group's accounting policies.

New standards and interpretations issued not yet adopted

A number of new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to the Group have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

- AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting period commencing 1 January 2018)

  The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and de-recognition requirements for financial instruments and simplified requirements for hedge accounting.

  Key changes made to this standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.

  Although the Directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments the impact has not yet been quantified.

- AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods commencing on or after 1 January 2018).

  When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

  The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

  - identify the contract(s) with a customer;
  - identify the performance obligations in the contract(s);
  - determine the transaction price;
  - allocate the transaction price to the performance obligations in the contract(s); and
  - recognise revenue when (or as) the performance obligations are satisfied.

  This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

  The Directors have yet to determine whether the adoption of AASB 15 will have a material impact on the Group's revenue recognition and disclosures.

- AASB 2015-9: Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements (AASB 2015-9 applies to annual reporting periods beginning on or after 1 January 2016. Early adoption permitted).

  AASB 2015-9 amends AASB 127 Separate Financial Statements, and consequentially amends AASB 1 First-time Adoption of Australian Accounting Standards and AASB 128 Investments in Associates and Joint Ventures, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. AASB 2015-9 also makes editorial corrections to AASB 127.

- AASB 16: Leases applies to annual reporting periods beginning on or after 1 January 2019.

  AASB 16 requires that lessees recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Assets and liabilities arising from a lease are initially measured on a net present value basis. The Directors anticipate this will have an impact on the financial statements but at this stage have not quantified the impact.

- Other standards not yet applicable

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(f) Basis of consolidation

The consolidated financial statement comprises the financial statements of migme Limited and its subsidiaries as at 31 December 2016. Subsidiaries are entities the parent controls. Control is achieved when migme Limited is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, migme Limited controls an investee if and only if migme Limited has the power over the investee, the exposure, or rights, to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns.

When migme Limited has less than a majority of the voting or similar rights of an investee, migme Limited considers all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangement with the other vote holders of the investee, rights arising from other contractual arrangements and migme Limited's voting rights and potential voting rights. Migme consolidates entities in which it is deemed to have a present ownership interest and has met the "control "criteria in accordance with AASB 10.

migme Limited re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when migme Limited obtains control over the subsidiary and ceases when migme Limited loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of profit or loss and other comprehensive income from the date migme Limited gains control until the date migme Limited ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of migme Limited and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with migme Limited's accounting policies. All intra- group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of migme Limited are eliminated in full on consolidation

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values. The difference between these items and their fair value of the consideration (including their fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date is allocated to each of migme Limited's cash generating units that are expected to benefit from the combination, irrespective of whether assets or liabilities of the acquiree are assigned to those units.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If migme Limited loses control over a subsidiary, it de-recognises the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interest, the cumulative translation differences recorded in equity, recognises the fair value of the consideration received, the fair value of any investment retained, any surplus or deficit in profit or loss and reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if migme Limited had directly disposed of the related assets or liabilities.

Investments in controlled entities are carried at the lower of cost and recoverable amount in the parent entity's financial statements.

(g) Foreign currencies

The Group's consolidated financial statements are presented in Australian dollars, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

ii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI.

On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

(h) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(i) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to migme Limited and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment, if any, and excluding taxes or duty.

Where the group has determined it acts as an agent because it is not the primary obligator in an arrangement and has limited exposure to inventory and credit risk, revenue is recognised on a net basis.

Revenue from the sale of virtual and physical goods and games are recognised upon completion of delivery of the goods to the customers.

Interest revenue is recognised on a time proportion basis that takes into account the effective yield on the financial asset.

Advertising revenue from the display of banners is recognised over the contract period.

(j) Significant accounting judgements, estimates and assumptions

The preparation of migme Limited's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, the accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements which have a significant effect on the amounts recognised in the consolidated financial statements.

Consolidation of controlled entities
The Group takes the position that it satisfies the control test under AASB 10 which enables the Group to consolidate the financial statements of PT Hipwee Media Solutions and PT Global Shopdeca based on the fact that;

- migme has entered into management services agreements with both companies which effectively gives migme power over the relevant activities of each entity; and
- migme has a call option over the issued shares in both companies with a nominal strike price.

Classification of Shopdeca as a disposal group
The Group has determined that the disposal of Shopdeca was highly probable at 31 December 2016 and that the disposal of Shopdeca meets the classification criteria of a disposal group held for sale at the balance sheet date.

Classification of convertible notes as non-current liabilities
The Group has determined that the early repayment feature included in the convertible note outstanding at 31 December 2015 represented a loan covenant and that the convertible notes met the criteria to be classified as a non-current liability at that date.

Estimates
The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The key estimates and

assumptions that have a significant risk of causing a material adjustment to the carrying amount of certain assets and liabilities are described below

Taxation

migme Limited's accounting policy for taxation requires management's judgement in assessing whether deferred tax assets and certain deferred tax liabilities are recognised in the statement of financial position. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows.

Judgements are also required about the application of income tax legislation in respect of the availability of carry forward tax losses. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised in the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of comprehensive income in future periods.

Share based payments

Accounting judgements, estimates and assumptions in relation to share based payments are discussed in note 21.

Impairment

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

(k) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to migme Limited substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term if there is no reasonable certainty that migme Limited will obtain ownership by the end of the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as the lease income. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Lease incentives are recognised when they are received and amortised over the life of the lease.

(l) Cash and cash equivalents

Cash in the statement of financial position and statement of cash flows comprises cash at bank and cash on hand.

(m) Trade and other receivables

Trade receivables recognised as current assets are due for settlement from 14 - 30 days. Trade receivables are recognised initially at fair value of the consideration receivable and subsequently measured at amortised cost using the effective interest method less an allowance account for doubtful debts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance account for doubtful receivables is established when there is objective evidence that the Company will not be able to collect some or all amounts due according to the original terms of the transaction. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default are considered indicators that the trade receivable is impaired. The amount of the allowance recognised is the difference between assets carrying value and the present value of estimated future cash flows.

All other receivables recognised as current assets are due for settlement within no more than one year. Recoverability of other receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectible, are written off.

(n) Income tax

Tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a merger and that affects neither accounting nor taxable profit or loss;
- temporary differences related on investments in subsidiaries and associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future;
- taxable temporary differences arising on the initial recognition of goodwill

The benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition, would be subsequently recognised if new information about facts and circumstances changed. The adjustment would be either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was recognised during the measurement period or in the profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted as at the reporting date.

In determining the amount of current and deferred tax migme Limited takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. migme Limited believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes migme Limited to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised.

Tax consolidation legislation

migme Limited has not formed a tax consolidated group for income tax purposes.

(o) Other taxes

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (“GST”) except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

(p) Leasehold improvements and equipment

Leasehold improvements and equipment is stated at cost less accumulated amortisation and depreciation. Amortisation and depreciation is calculated over the estimated useful life of the assets as follows:

	Useful life	Method
Furniture and fittings	4 to 5 years	Straight line method
Computer and office equipment	2 to 4 Years	Straight line method
Leasehold improvements	Lease period	Straight line method

An item of leasehold improvements and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the period the items is de-recognised.

Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

(q) Fair value measurement

migme Limited measures financial instruments at fair value on initial recognition. Financial instruments are subsequently measured at either amortised cost or at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to migme Limited. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

migme Limited uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure their fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; or
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, migme Limited determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(r) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is measured at fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets and research costs, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or infinite. Intangible assets with finite lives are amortised over their useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are either reviewed at the end of each reporting period or amortised over the life of the asset.

(s) Goodwill

Goodwill arising on business combinations is measured at cost (being the excess of the aggregate of consideration transferred and the fair value of the net assets acquired) and is tested for impairment annually. For the purpose of impairment testing, goodwill acquired is, from the acquisition date, allocated to each of migme Limited's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill form parts of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

(t) Impairment of non-current assets

migme Limited monitors throughout the year to see whether there is an indication that a non-current asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, migme Limited makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs. When the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset or cash generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specified to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset.

As assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased, except in relation to goodwill. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior periods. Such reversal is recognised in the statement of comprehensive income.

After such a reversal, the deprecation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(u) Inventories

Inventories are stated at lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average cost.

(v) Trade payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to migme Limited prior to the end of the reporting period that are unpaid and arise when migme Limited becomes obliged to make future payments in respect of the purchase of these goods and services.

(w) Provisions

Provisions are recognised when migme Limited has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where migme Limited expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(x) Financial liabilities

The Group's financial liabilities include trade and other payables, convertible notes, derivative liabilities and deferred consideration payable.

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

Liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition only if the criteria in AASB 139 are satisfied. The Group has designated the convertible notes issued in December 2016 as a financial liability at fair value through profit or loss due to the derivative liability features embedded in the instrument.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by AASB 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities at fair value through profit and loss are recognised in the Consolidated Statement of Comprehensive Income.

Convertible notes at amortised cost.

The component of the convertible notes issued in 2015 that exhibits characteristics of a loan is recognised as a liability in the statement of financial position, net of transaction costs. This liability is carried at amortised cost using the effective interest rate ("EIR") method. Gains and losses are recognised in profit and loss when the liabilities are de-recognised as well as through the EIR amortisation process.

The fair value of the derivative feature embedded in the convertible notes was separated out on initial recognition of the convertible notes and was classified as held for trading.

(y) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date.

Liabilities arising in respect of wages and salaries, and any other short term employee benefits are measured at their nominal amounts.

The Group recognizes a liability for long service leave measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimate future cash outflows.

(z) Share-based payments

migme Limited provides benefits to its employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised, together with a corresponding increase in other capital reserves in equity over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and migme Limited's best estimate of the number of equity instruments that will ultimately vest. The statement of profit or loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions, for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

(aa) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Own equity instrument reserved for employee share plans are deducted from equity.

(ab) Earnings/loss per share

Basic earnings/loss per share

Basic earnings/loss per share is calculated as profit/loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares outstanding during the financial year

Diluted earnings/loss per share

Diluted earnings/loss per share adjusts the figures used in the determination of basic earnings/loss per share to take into account the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3. Restatement of comparative information

The comparative information has been restated for the following:

a) Convertible notes issued in 2015

The classification of the conversion right embedded in the convertible notes issued in 2015 is affected by a conversion price resetting feature which causes the conversion right to fail the 'fixed-for-fixed' rule under the accounting standards to enable the conversion right to be classified as equity. The conversion right was incorrectly classified and accounted for as equity in the prior year.

As the conversion feature meets the definition of a derivative liability, it is accounted for at fair value on initial recognition and re-measurement to fair value at each subsequent reporting date, with the movement in fair value being recorded in profit and loss. The derivative liability has been classified as a non-current liability based on the contractual maturity date of the conversion right, the cash flows of the underlying host contract and the fact that the convertible notes were not expected to be converted within 12 months from the balance sheet date.

	31 December 2015 - Restated $	31 December 2015 - Previously stated $
Liability		
Non-current liabilities Convertible notes at amortised cost	2,540,668	3,177,619
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 at 31 December 2015 is due to an additional interest expense of $12,469 recognised in profit and loss. There was no material movement in the fair value of derivative component between issue date and 31 December 2015. The impact of this restatement on earnings per share for the year ended 31 December 2015 was insignificant.

b) Finalisation of the acquisition accounting for PT Hipwee Media Solution

During the year ended 31 December 2016 the acquisition accounting for PT Hipwee Media Solutions was finalised. Measurement period adjustments have been processed resulting in a decrease in the fair value attributed to accounts receivable of $317,247 and an increase in goodwill of the same amount. Refer notes 10 and 12.

c) Deferred consideration

Shares issuable in settlement of the PT Hipwee Media Solutions acquisition with a fair value of $641,790 were incorrectly classified as a financial liability at the date of acquisition and at 31 December 2015. As the number of shares to be issued was fixed at the date of acquisition, the consideration payable should have been classified as equity. Accordingly, an amount of $641,790 has been reclassified from deferred consideration payable (a current liability) to contributed equity.

d) Revenue recognition for sales of game vouchers

The Group purchased and sold game vouchers under a Business to Business strategy where it was previously assessed that the Group acted as a principal in a sales transaction. A reassessment of these activities has concluded that these transactions are not revenue generating and were conducted for marketing purposes to promote migme's presence in the Business to Business gaming channel. Accordingly, the prior period revenue has been reduced by $1,372,259 and the cost of sales reduced by $1,546,404. Marketing expenses has been increased by the net amount of $174,145. The restatement had no impact on earnings per share for the year ended 31 December 2015.

4. Revenue and expenses

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

Research and development
Research and development expenses consist primarily of share-based compensation, salaries and benefits for employees on our engineering and technical teams who are responsible for building new products as well as improving existing products.

Administrative expenses
Our administrative expenses consist primarily of salaries, benefits and share-based compensation for certain of our executives as well as our 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.

	Consolidated	
	2016	2015
	$	$
Revenue		
Sale of virtual and physical goods and games	11,634,675	10,812,581
Advertising revenue	453,525	-
Cost of Sales		
Infrastructure, revenue share and cost of products expenses	(14,595,221)	(11,887,328)
Employee benefits expense excluding share based payment expense	(5,697,586)	(5,540,565)
Share based payment expense	(1,853,160)	(1,863,930)
Research and development expenses		
Employee benefits expense excluding share based payment expense	(2,920,393)	(3,220,072)
Share based payment expense	(122,463)	(185,283)
Administrative expenses		
Employee benefits expense excluding share based payment expense	(1,648,125)	(1,682,045)
Share based payment expense	(689,076)	(2,016,146)
Other administration expenses (occupancy, professional fees, travel, and general administrative expenses)	(4,,364,042)	(4,158,392)
Depreciation and amortisation	(408,196)	(272,978)
Other expenses		
Unrealised and realised foreign exchange gains/(losses)	48,716	30,068
Fair value adjustment on convertible note	(86,117)	-
Goodwill impairment	-	(335,366)
Other expenses	(266,477)	(27,921)
Finance costs		
Interest expense on convertible note	(580,958)	(19,972)
Early redemption premium on convertible notes	(350,000)	-

5. Segment reporting

a) Basis for segmentation

The Group has determined that it operates in one operating segment, being a global digital media company focused on emerging markets via a social media platform. Accordingly, the financial results of the segment are equivalent to the financial statements of the Group as a whole.

b) Information about geographical regions

The Group operates in two geographic regions as follows:

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

31 December 2016	South Asia $	All Other Regions $	Total $
Total Revenue	12,088,200	-	**12,088,200**
Total Non-Current Assets	1,086,801	198,980	**1,285,781**

31 December 2015	South Asia $	All Other Regions $	Total $
Total Revenue	10,012,581	-	**10,812,581**
Total Non-Current Assets	1,207,366	186,706	**1,394,072**

There is no material non-current assets in Australia. Information of revenue 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.

6. Discontinued operations

During December 2016, the Board decided to discontinue the Shopdeca business, which is operating under PT Global Shopdeca. The business was acquired in March 2016 (see note 29). The terms of discontinuation were agreed and finalised subsequent to year end in January 2017. The key terms of the disposal of PT Global Shopdeca are as follows:

- Payment to the founder of PT Global Shopdeca of $87,410; and
- PT Global Shopdeca assumes ownership and responsibility of all the assets and liabilities subsequent to 31 December 2016.

At 31 December 2016, Shopdeca has been classified as held for disposal. The results of Shopdeca for the year are presented below:

a) Analysis of the loss for the year from discontinued operations

	2016 $
Revenue	2,692,701
Expenses	(3,154,816)
Operating loss	**(462,115)**
Finance income	1
Impairment loss recognised	(1,521,863)
Loss before tax from discontinued operations	**(1,983,977)**
Tax expense / benefit:	
Related to current pre-tax loss	-
Related to re-measurement to fair value less costs to dispose (deferred tax)	-
Loss for the year from discontinued operations	**(1,983,977)**

b) Net assets classified as held for disposal

	2016 $
Assets	
Cash and cash equivalents	92,013
Prepayments	5,800
Inventories	173,399
Income tax receivable	1,817
Trade and other receivables	39,611
Leasehold improvements and equipment	13,739
Other non-current assets	17,128
Assets classified as held for sale	**343,507**
Liabilities	
Trade and other payables	376,279
Deferred revenue (deferred tax)	54,638
Liabilities held for sale	**430,917**
Net liabilities classified as held for sale	**(87,410)**

c) Cash flows from discontinued operations

The net cash flows incurred by PT Global Shopdeca:

	2016 $
Operating	(196,702)
Investing	(6,295)
Financing	174,034
Net Cash (outflow)inflow	**(28,963)**

7. Income tax note

	$	$
Current income tax		
Current income tax expense / (benefit)	–	–
Adjustment in respect of current income tax of previous years	6,233	2,738
Deferred income tax	–	–
Income tax reported in income statement	**6,233**	**2,738**
Reconciliation of tax expense and the accounting profit multiplied by Australia's domestic tax rate for 2015 and 2016:		
Accounting profit / (loss) before income tax	**(25,579,674)**	**(21,040,487)**
Statutory income tax rate of 30%	**(7,673,902)**	**(6,312,146)**
Tax effect of amounts not deductible/assessable in calculating income:		
Share-based payments	934,517	896,770
Other non-deductible / non-assessable items	39,326	74,906
Non deductible write off of goodwill	456,559	100,610
Effect of lower overseas tax rates	2,140,611	2,081,692
Deferred tax balances not recognised	4,109,122	3,160,906
Total income tax expense	**6,233**	**2,738**
The following deferred tax balances have not been recognised:		
Deferred tax assets relate to the following:		
Tax losses carried forward - Australia	1,149,363	254,499
Tax losses carried forward - Overseas	18,713,598	15,561,399
Provisions and accruals	42,940	72,900
Unrealised foreign exchange	93,549	–
Others	1,530	3,060
Total deferred tax assets	**20,000,980**	**15,891,858**
Deferred tax liabilities relate to the following:		
Unrealised foreign exchange	–	26,463
Total deferred tax liabilities	–	**26,463**

8. Cash and cash equivalents

a) Reconciliation of cash

	Consolidated	
	2016	2015
	$	$
Cash at bank	192,943	8,375,333
Cash at financial institutions	90,191	283,113
Total	**283,134**	**8,658,446**

Cash at bank earns interest at floating rates based on daily bank deposit rates

b) Reconciliation of loss after tax to net cash flows from operating activities

	Consolidated	
	2016	2015
	$	$
Reconciliation of loss after tax to net cash flows from operating activities		
Net loss before tax from continuing operations	**(23,110,980)**	**(21,040,487)**
Loss from discontinued operations	(1,983,977)	**-**
Net loss before tax	**(25,094,956)**	**(21,040,487)**
Adjustments for non-cash income and expense items:		
Depreciation and amortisation	408,196	272,978
Share based payments	2,626,197	2,989,234
Goodwill impairment charge	1,521,863	335,366
Impairment of investments	-	27,921
Re-measurement of convertible notes	266,477	-
Unrealised exchange (gain)/losses	326,844	(286,837)
Fair value adjustments on convertible notes	86,117	-
Interest expense	930,958	-
Changes in net assets and liabilities:		
(Increase)/decrease in prepayments	(1,932,866)	(35,403)
(Increase)/decrease in inventories	93,137	(100,363)
(Increase)/decrease in trade and other receivables	(272,574)	172,375
(Increase)/decrease other non-current assets	32,143	(23,464)
Increase/(decrease) in trade and other payables	295,537	341,802
Increase/(decrease) in provisions	236	27,538
Increase/(decrease) in deferred revenue	(271,385)	246,881
Net cash flow used in operating activities	**(20,984,076)**	**(17,075,197)**

Non cash financing and investing activities

Shares issued for the acquisition of PT Hipwee Media Solutions, were non cash financing and investing activities are disclosed in note 30.

9. Inventories

	Consolidated 2016 $	2015 $
Merchandise held for sale, at cost	**7,226**	**100,363**

10. Trade and other receivables

	Consolidated 2016 $	Restated 2015 $
Trade receivables	96,270	21,580
Other receivables	258,508	60,624
Total	**354,778**	**82,204**

Trade Receivables are non-interest bearing with payment terms being 14-30 days. An allowance for doubtful debts is made where there is objective evidence that a trade receivable is impaired As at 31 December 2016, the allowance for doubtful debts was $7,787 (2015: nil). All other debtors are within 60-90 days of due date.

Other receivables are on varying terms depending on their nature. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. As at 31 December 2016, the allowance for doubtful debts was nil (2015: nil). All other debtors at 31 December 2017 are within their termsterm.

The carrying amounts of trade and other receivables net of the impairment allowance account approximates fair value.

11. Leasehold improvements and equipment

	Leasehold improvements $	Office & computer equipment $	Furniture, fixtures and fittings $	Total $
Gross carrying amount				
Balance at 1 January 2016	157,355	834,119	86,145	**1,077,619**
Additions	181,634	150,172	7,054	**338,860**
Assets written off	(3,932)	(339)	(2,321)	**(6,592)**
Effect of exchange rate	5,440	2,005	(5,070)	**2,375**
Discontinued operations	(42,906)	-	-	**(42,906)**
Balance at 31 December 2016	**297,591**	**985,957**	**85,808**	**1,369,356**
Depreciation and amortisation				
Balance at 1 January 2016	(106,614)	(339,317)	(48,927)	**(494,858)**
Assets written off	2,321	916	2,027	**5,264**
Depreciation and amortisation expense	(81,313)	(314,458)	(12,425)	**(408,196)**
Effect of exchange rate	(485)	5,228	1,137	**5,880**
Discontinued operations	29,167	-	-	**29,167**
Balance at 31 December 2016	**(156,924)**	**(647,631)**	**(58,188)**	**(862,743)**
Carrying amount at 31 December 2016	**140,667**	**338,326**	**27,620**	**506,613**

	Leasehold improvements $	Office & computer equipment $	Furniture, fixtures and fittings $	Total $
Gross carrying amount				
Balance at 1 January 2015	170,150	718,677	74,011	**962,838**
Additions	13,263	297,968	16,808	**328,039**
Assets written off	(31,221)	(190,583)	(5,924)	**(227,728)**
Effect of exchange rate	5,163	8,057	1,250	**14,470**
Balance at 31 December 2015	**157,355**	**834,119**	**86,145**	**1,077,619**
Depreciation and amortisation				
Balance at 1 January 2015	(85,486)	(333,676)	(42,090)	**(461,252)**
Assets written off	31,221	190,583	5,924	**227,728**
Depreciation and amortisation expense	(56,508)	(213,298)	(3,172)	**(272,978)**
Effect of exchange rate	4,159	17,074	(9,589)	**11,644**
Balance at 31 December 2015	**(106,614)**	**(339,317)**	**(48,927)**	**(494,858)**
Carrying amount at 31 December 2015	**50,741**	**494,802**	**37,218**	**582,761**

12. Goodwill

		Consolidated	
		2016 $	Restated 2015 $
Opening balance		**643,122**	-
Additions		1,521,863	978,488
Impairment charge	(i)	(1,521,863)	(335,366)
Closing balance at 31 December		**643,122**	**643,122**

(i) Impairment Losses Recognised

An impairment loss of $1,521,863 was recognised for the year ended 31 December 2016. The recoverable amount was based on the value in use calculation. No impairment testing was conducted at 31 December 2015 as the goodwill had not been held for a 12 month period at that date and no impairment triggers were identified.

Impairment Tests for Goodwill and Intangibles with Indefinite Useful Lives

a) Description of the cash generating units and other relevant information

Goodwill acquired through business combinations ishave been allocated to and are tested at the level of their respective cash generating units (“CGU”) for impairment testing for each of the entities as follows:detailed below.

Carrying amount of goodwill at 31 December	***Hipwee***	***Shopdeca***	***Sold***	***Total***
2016	643,122	-	-	643,122
2015	643,122	-	-	643,122

Goodwill impairment charge for the CGUs above are as follows:

Impairment charge for the year ended 31 December	***Hipwee***	***Shopdeca***	***Sold***	***Total***
2016	-	1,521,863	-	1,521,863
2015	-	-	335,266	335,266

The recoverable amount of all cash generating units is determined based on a value in use calculation using cash flow projections based on actual and forecasted financial results approved by management covering a five year period. The recoverable amount was determined as being nil for Shopdeca and Sold, and $665k for Hipwee at 31 December 2016.

b) Carrying amount of goodwill allocated to each of the cash generating units (CGU)

The carrying amount of goodwill at 31 December 2016 and 31 December 2015 was in respect of the Hipwee cash generating unit. The goodwill arising on to the Shopdeca acquisition was provisionally booked and fully impaired in the year ended 31 December 2016 on the basis of negative cash flow projections from this CGU.. The goodwill associated to the Sold acquisition was booked and fully impaired in the year ended 31 December 2015 based on the negative cash flow projections from this CGU.

c) Key assumptions used in value in use calculations for the Hipwee cash generating units

The calculations of value in use isfor both CGU’s are most sensitive to the following assumptions:
- Earnings / revenue

- Revenue
- Gross margin
- Discount rate
- Inflation rates
- Growth rates

Earnings – The forecast process was developed based on revenue expectations based on the existing customer experience together with the potential to develop new markets and sustain growth.

Gross Margin - Gross margins were calculated on historical values and revenue mix.

Discount rate – The discount rate**s** - Discount rates reflect management's estimates of the time value of money and the risks specific to the CGU each unit that are not already reflected in the cash flows. In determining appropriate discount rates for each unit, regard has been given to the weighted average cost of capital of the entity as a whole adjusted for country and business risks specific to theeach unit. The pre-tax, risk adjusted discount rate applied to CGU specific cash flows was 14.5%.

Inflation rates – Inflation rates have been determined using the Consumer Price Index ("CPI") for the countries from which services are sourced.

Growth rates – The long term growth rate used to extrapolate the cash flows beyond the five year forecast period is an average of 8%, this considers the industry outlook and market conditions

Sensitivity to changes in assumptions

With regard to the assessment of the value in use of the non-impaired CGU's, management believe that no reasonably possible change in any of the above key assumptions would cause the carrying value of the CGU to materially exceed its recoverable amount at 31 December 2016.

- Assuming all other assumptions remain constant but the earnings is decreased by 15%, there would be no material impairment.
- Assuming all other assumptions remain constant but the pre-tax discount rate is increased by 0.5%, there would be no material impairment.
- Assuming all other assumptions remain constant but the growth rate drops by 1% per annum, there would not be a material impairment.

13. Other non-current financial assets

	Consolidated	
	2016	2015
	$	$
Deposits for operating related expenses	136,046	157,481
Available for sale securities – Tier 1	-	10,708
Total	**136,046**	**168,189**

Available for sale securities relates to investment in other listed shares which carried at fair value (Level 1 in the fair value hierarchy). This has been disposed during the financial year.

14. Trade and other payables

	Consolidated	
	2016	2015
	$	$
Trade payables and accrued expenses	1,901,796	1,693,669

Trade payables are non-interest bearing and are normally settled on 30-60 day terms. The carrying amounts approximate fair values.

15. Provisions

	Consolidated	
	2016	2015
	$	$
Employee benefits – annual leave	209,252	209,016

16. Deferred revenue

	Consolidated	
	2016	2015
	$	$
Deferred revenue - sale of virtual credits, virtual games and physical products	47,071	318,456

17. Deferred consideration

There is no deferred consideration payable as at 31 December 2016.

Deferred consideration balance as at 31 December 2016 and 31 December 2015 consisted of deferred cash consideration amounting to $68,512 for the acquisition of LoveBytes Pte Ltd on 16 October 2014.

18. Convertible notes

	Consolidated	
	2016 $	(Restated) 2015 $
Convertible notes designated as fair value through profit and loss (ii)	895,265	-
Convertible notes at amortised cost (i)	1,166,523	2,540,668
Derivative financial liability (i)	-	851,773
	2,061,788	**3,392,441**
Classified as:		
Current	2,061,788	-
Non-current	-	3,392,441
	2,061,788	**3,392,441**

(i) On 17 December 2015, the Group issued convertible notes (2015 Convertible Notes) to various bond holders at $1.10 per share conversion ratio and raised a total of $3,500,000 on terms favourable to the Group. The terms and conditions of the 2015 Convertible Notes are follows

Description	Key Terms
Principal	$3,500,000
Coupon rate	The coupon rate is 10% per annum, payable quarterly in arrears.
Maturity	The notes mature on 16 December 2017. On the maturity date, the Group is obliged to redeem the convertible notes that have not yet been converted into ordinary shares by the holder or redeemed by the issuer prior to the maturity date for cash.
Conversion feature	The convertible notes are convertible by the holder into the Group shares at any time after 6 months has elapsed from the issue date and ending on the maturity date at a conversion price of $1.10 per share, subject to the resetting mechanism below.
Resetting mechanism (resetting feature)	If the Group raises additional equity, excluding the issue of future employee shares, or the issue of shares on exercise of existing options, at a price lower than $1.10 per share, the number of shares will then reset to that equity issue price ('the resetting feature').
Early redemption	The note holders have the right to redeem the convertible notes prior to maturity date for cash at a 10% premium over the face value of the convertible notes, if any of the following events occurs within the 24 months to 16 December 2017: - The Company issuing any debt or entering into any arrangement to issue or take on secured debt that would rank in priority higher than the Note without the prior written consent of the majority of note holders by percentage held, approval for which can't be reasonably withheld; or - The Company entering into a contract for the sale of a significant asset of assets of the Company representing more than 10% of the market capitalisation of the company without the prior written consent of the majority of Noteholders by percentage held; or - A director of the Company sells shares held by that director which have a cumulative total value of more than 5% of the shares outstanding of the Company as at the Issue Date, without the prior written consent of the majority of Note holders by percentage held; or - If the volume-weighted market capitalisation of the Company falls below $150 million for more than 90 days, giving 30 days' notice.

The conversion feature represents a derivative liability which was measured at fair value. Following receipt of the early redemption notices during 2016, the derivative liability was derecognised which resulted in a gain on re-measurement of $851,773. The host debt contract measured at amortised cost was also re-measured to 110% of the face value of the notes which resulted in the recognition of a total net loss amounting to $983,022. At 31 December 2016 the redeemed 2015 Convertible Notes payable are $1,166,523 with a face value of $1,033,700. $132,923 represents the early redemption premium and accrued interest payable at 31 December 2016.

Management has assessed that the fair value of the 2015 Convertible Notes outstanding at 31 December 2016 approximates their carrying value.

(ii) On 6 December 2016, the Group issued convertible notes (2016 Convertible Notes) to the value of $809,148 (US$600,000) that will be convertible at $0.20 per share. This instrument has been designated at fair value through profit and loss. The key terms and conditions of the 2016 Convertible Notes are as follows:

Description	Key Terms
Principal	US$ 600,000
Coupon rate	The coupon rate is 10% per annum.
Interest Payment	Single Interest Payment on Redemption or Conversion, at a rate of 10% per annum of the Face Value of the Note.
Maturity	The convertible notes expire on 31 December 2017. On the maturity date, the Group is obliged to redeem the convertible notes that have not yet been converted into ordinary shares by the holder or redeemed by the issuer prior to the maturity date for cash.
Conversion feature	The convertible notes are convertible by the holder into migme shares at any time from after 3 months has elapsed from the issue date. The conversion price, which is calculated in Australian dollars, is as follows: (a) a 15% discount to the volume weighted average market price for Shares calculated over the 15 trading days on which trades in Shares were recorded on the ASX immediately before the date of this Deed; and (b) notwithstanding the above, the Conversion Price will be a minimum of $0.20 per Ordinary Share. The number of Ordinary Shares to be issued for the Note (Conversion Number) is calculated in accordance with the following formula: $\text{Conversion Number} = \dfrac{\text{Face Value}}{\text{Conversion Price}}$ If Face Value is in a currency other than Australian dollars, then it is to be converted to Australian dollars at the applicable conversion rate published on the Reserve Bank of Australia website at 9.00am (Sydney time) on the date of Conversion. If no such rate is published, the conversion rate will be determined by the Company in good faith and acting reasonably.
Redemption Amount	After 90 days from the issue date of the Note, a note holder may give the Company notice of Redemption of its Notes. In that case, the redemption amount is the Face Value plus a premium of 15% to the Face Value and any accrued interest
Free Attaching Option	Upon conversion, for every ordinary share the Company will grant one free option to acquire an additional ordinary share at no additional issue price. Each option granted is exercisable at $0.01 per share and will expire on 31 December 2017.
Effective date	6 December 2016

19. Contributed equity

Capital management

For the purpose of the Group's capital management, capital includes issued capital, convertible notes all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements and obligations as set out in the convertible note deeds. To maintain or adjust the capital structure, the group may adjust the terms of further convertible note issues or consider equity issues in lieu of convertible notes.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it has sufficient working capital to satisfy operational requirements and its commitments under the terms of the convertible notes.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 2015.

a) Reconciliation of Contributed Equity

During the year ended 31 December 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 920,717 reserved shares at $0.74 per share
- Share placement completed on 30 June 2016: 5,045,069 shares issued at $0.40 per share.
- 20,519,810 shares issued and allotted on 19 August 2016 at $0.40 per share; and
- 2,925,470 shares issued in relation to a partnership and service agreement on 19 August 2016 at $0.40 per share.

	Consolidated	
	31 December 2016	**31 December 2015**
	$	**$**
Issued capital	115,396,176	95,272,002
Deferred consideration payable – PT Hipwee Media Solutions acquisition	-	641,790
Total	**115,396,176**	**95,913,792**

Notes to the Financial Statements
31 December 2016

Contributed equity	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)
Unissued shares – PT Hipwee Media Solutions acquisition	-	641,790
At 31 December 2015	**273,311,633**	**95,913,792**
Issuance of shares – PT Hipwee Media Solutions acquisition	725,186	-
Issuance of shares – PT Shopdeca Global acquisition	884,270	657,054
Issuance of shares to Ecommerce Director	920,717	664,053
Issuance of shares – capital raising	37,214,879	17,015,126
Issuance of share – Mox Service Agreement	2,925,470	1,170,188
Issuance of shares – corporate services	170,735	38,500
Options exercised (i)	-	69,540
Issuance of reserved shares to Ecommerce Director (ii)	-	681,331
Capital raising costs	-	(813,408)
At 31 December 2016	**316,152,890**	**115,396,176**

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

Reserved shares

At 1 January 2015	**10,189,479**
Options exercised	(2,124,037)
At 31 December 2015	**8,065,442**
Shares issued to Ecommerce Director	(920,717)
Options exercised	(922,775)
At 31 December 2016	**6,221,950**

20. Reserves

	Consolidated 2016 $	Restated 2015 $
Share options (a)	6,685,966	5,877,297
Share equity (b)	1,996,953	1,506,641
Share warrants (c)	301,961	301,961
Share based payment reserves	**8,984,589**	**7,685,899**
Foreign currency translation reserve	2,723,875	3,477,127
Total	**11,708,464**	**11,163,026**
(a) Share options reserve		
Opening Balance 1 January	5,877,297	3,868,687
Options issued/ vesting during the year	808,378	2,008,610
Closing Balance at 31 December	**6,685,675**	**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 31 December	**1,996,953**	**1,506,641**
(c) Share warrants reserve		
Opening Balance 1 January	301,961	301,961
Closing Balance at 31 December	**301,961**	**301,961**

Nature and purpose of reserves

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

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

Foreign currency translation reserve
The foreign currency translation reserve is used to recognise foreign currency exchange differences arising on translation of functional currency to presentation currency for foreign operations.

21. Share-based payments

a) Shares

The recognised expense arising from share settled transactions totaled $38,500 from this issue of 170,735 shares for corporate services for the year ended 31 December 2016 (2015 nil). The valuation is based on the share price on the issue date as the fair value of the service cannot be reliably measured.

On 19 August 2016, 2,925,470 unconditional shares were issued to Mobile Only Accelerator Ltd ("MOX") and General Mobile Corporation ("GMobi") based on share price on that date granted, for MOX program marketing and promotional activities, which involve revenue share mechanism between the parties. The transaction was measured based on the share price on issue date as the fair value of the service to be received cannot be reliably measured. As at 31 December 2016, this program had yet to commence the share based payment expense was recognised as a prepayment at 31 December 2016. See Note 30.

During the year 920,717 shares with a fair value at issue date of $664,053 were issued to the Ecommerce Director as consideration for services provided to the Group. During the year, a further 920,717 shares with a fair value at issue date of $681,331 were issued to the Ecommerce Director as consideration for services to the Group from Reserve shares. The transactions were measured on the share price on grant date.

b) Options

The recognised expense arising from equity settled share-based payment plans totaled $1,280,520 for the year ended 31 December 2016.

Measurement of fair values

The fair value of the share options at grant date are determined using a Black Scholes pricing method that takes into account the exercise price, the term of the option, the probability of exercise, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Valuation of 200,000 share options granted on 1 Jan 2016

The following table lists the inputs to the model used for valuation of the 200,000 unlisted options issued on 1 January 2016, of which 50,000 options were forfeited during the year:

Item	Inputs
Volatility (%) *(see below)*	63.14%
Risk-free interest rate (%)	2.24%
Expected life of option (years)	4.1
Exercise price per terms & conditions	$1.20
Underlying security spot price	$0.885
Valuation date	1 January 2016
Expiry date	31 January 2020
Valuation per option	$0.3712

Valuation of 50,000 share options granted on 30 March 2016

The following table lists the inputs to the model used for valuation of the unlisted options:

Item	Inputs
Volatility (%) *(see below)*	89.32%
Risk-free interest rate (%)	1.9%
Expected life of option (years)	1.84
Exercise price per terms & conditions	$0.647
Underlying security spot price	$0.73

Valuation date	30 March 2016
Expiry date	31 January 2018
Valuation per option	$0.3634

Volatility is determined by reference to the historical change in the closing share price of migme shares traded on the ASX on each trading day.

Summary of options issued

At 31 December 2016, the Company had the following 17,848,209 unquoted options to acquire ordinary shares:

Issue Date	Number of Options	Exercise Price	Expiry Date
Various dates by Project Goth Inc transferred to Migme Ltd as part of acquisition (ie pre August 2014)	4,565,592	$0.04 to $2.00	30 May 2024
15 October 2014	1,653,832	$0.20	15 October 2019
15 October 2014	399,947	$0.36	15 October 2019
18 December 2014	600,000	$0.40	30 November 2019
23 December 2014	1,300,000	$0.70	31 December 2018
19 June 2014	7,500,000	$0.20	31July 2017
1 January 2015	50,000	$0.70	4 July 2017
1 January 2015	1,176,987	$0.70	31 December 2018
1 March 2015	875,000	$0.70	31 December 2018
27 July 2015	44,662	$0.70	31 July 2019
27 July 2015	1,245,876	$1.20	31 July 2019
23 September 2015	51,905	$1.20	31 October 2019
14 December 2015	2,750,000	$1.20	31 July 2019
1 January 2016	150,000	$1.20	31 January 2020
30 March 2016	50,000	$0.65	31 January 2018
Total	**22,413,801**		

The following table sets out details of those outstanding unquoted options over ordinary shares and their weighted average exercise price ('WAEP').

	31 December 2016		31 December 2015	
	Number	**WAEP**	**Number**	**WAEP**
Balance at the beginning of the year	**26,185,676**	**$0.54**	**26,056,378**	**$0.24**
Granted during the year	250,000	$0.13	8,912,171	$0.93
Forfeited during the year	(3,085,857)	$0.57	(5,837,681)	$0.23
Exercised during the year	(936,018)	$0.07	(2,945,192)	$0.57
Outstanding at the end of the year	**22,413,801**	**$0.44**	**26,185,676**	**$0.54**
Exercisable at the end of the year	**20,769,880**		**20,625,888**	

The weighted average life of the outstanding number options as at 31 December 2016 is 2.52 years (2015: 3.55 years).

22. Accumulated losses

	Consolidated 2016 $	Consolidated 2015 $
Balance at beginning of year	(102,262,686)	(81,206,992)
Loss for the year	(25,094,957)	(21,055,694)
Balance at end of year	**(127,357,643)**	**(102,262,686)**

23. Loss per share

Basic (loss)/earnings per share amounts are calculated by dividing (loss)/ profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.
Diluted (loss)/earnings per share amounts are calculated by dividing the (loss)/profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all diluted potential ordinary shares into ordinary shares.
Basic and dilutive earnings/(loss) per share are calculated as follows:

	Consolidated 2016 $	Consolidated 2015 $
Profit/(loss) attributable to members of the Group	(24,413,626)	(21,043,225)
	Cent per share	**Cent per share**
Basic (loss) /earnings per share	(0.084)	(0.080)
	Shares	**Shares**
Weighted average number of ordinary shares for basic earnings per share	289,550,782	253,867,196
Effect of dilution:		
Share options	-	-
Weighted number of ordinary shares adjusted for dilution	289,550,782	253,867,196
	Cent per share	**Cent per share**
Dilutive (loss) /earnings per share	(0.083)	(0.080)

Diluted earnings per share is calculated after taking into consideration all options and any other securities that were on issue that remain unconverted as at the 31 December as potential ordinary shares, which may have a dilutive effect on the result of the Group. As at 31 December 2016, 22,413,801 options were not considered dilutive. Refer note 18 for details of convertible notes not considered dilutive at the balance sheet date.

24. Fair Value Measurement

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

	Level 1 $	Level 2 $	Level 3 $	Total $
As at 31 December 2016				
Assets measured at fair value:				
Listed securities (available for sale)	-	-	-	-
Assets for which fair values are disclosed:				
Trade and other receivables	-	354,778	-	354,778
Disposal group classified held for sale	-	-	343,507	343,507
Liabilities measured at fair value:				
2016 Convertible notes designated at fair value through profit and loss	-	-	895,265	895,265
As at 31 December 2015				
Assets measured at fair value:				
Listed securities (available for sale)	10,708	-	-	10,708
Liabilities measured at fair value:				
Derivative financial liability – 2015 Convertible notes	-	851,773	-	851,773

There have been no transfers between fair value levels during the reporting period.

The 2016 Convertible notes designated at fair value through profit and loss were valued using the probability-weighted payout approach. The key inputs are foreign exchange rate, market interest rate and share price and for the purpose of valuation at year end, the interest rate used was 40% and the exchange rate of 0.7236.

Fair values

Set out below is a comparison of the carrying amounts and fair values of financial instruments as at 31 December 2016:

	2016		2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	$	$	$	$
Financial assets				
Trade and other receivables	354,778	354,778	82,204	82,204
Total financial assets	490,824	490,824	82,204	82,204
Financial liabilities				
Trade and other payables	1,901,796	1,901,796	1,693,669	1,693,669
Deferred consideration	68,512	68,512	68,512	68,512
Convertible notes designated at fair value through profit and loss	895,265	895,265	-	-
Convertible notes at amortised cost	1,166,523	1,166,523	2,540,668	2,540,668
Derivative financial liability	-	-	851,773	851,773
Total financial liabilities	4,032,096	4,032,096	5,154,622	5,154,622

The fair value of the financial assets and financial liabilities approximate their carrying value.

25. Financial Risk Management Objectives and Policies

migme Limited's principal financial instruments comprise of receivables, payables, convertible notes and cash. migme Limited does not use derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge risk exposures.

The main risks arising from migme Limited's financial instruments are:

- Credits risk;
- Market risk; and
- Liquidity risk.

Migme Limited uses different methods to measure and manage different types of financial risks to which it is exposed. These include monitoring levels of receivables, assessment of market forecasts for exchange rates and monitoring future rolling cash flow forecasts.

a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity's customers are primarily authorised deposit taking institutions. The consolidated entity does not hold any collateral.

i. Trade and other receivables

migme Limited's risk is minimal due to the low level of receivables as migme Limited's business is primarily a prepaid business model.

The consolidated entity's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the consolidated entity's customer base, including the default risk of the industry and country in which customers operate, has some influence on credit risk.

The consolidated entity has established an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. Given the history of minimal losses from bad debts, the main component of this allowance is a specific loss component that relates to individually significant exposures provisioned as these are identified.

ii. Other financial assets

The consolidated entity limits its exposure to credit risk on cash at bank by only investing in Tier 1 Financial Institutions' call and term deposits. These are generally held on short terms to ensure funds are available for identified funding requirements.

	Consolidated	
	2016	**2015**
	$	**$**
Cash and cash equivalents	283,134	8,658,446
Trade and other receivables	354,778	399,451
Other financial assets	136,046	157,481

b) Market Risk

i. Currency Risk

The key currency risk migme Limited is exposed to is the movement in the exchange rate of the US dollar (USD). Detailed below are the balances where the principal currency is USD:

The following table demonstrates the sensitivity to a reasonable possible change in AUD exchange rates with all other variables held constant.

	Change in AUD rate	Effect on loss before tax (decrease)/increase $
2016	+10%	(37,515)
	-10%	37,515
2015	+10%	(217,287)
	-10%	217,287

	Consolidated as at 31 December 2016 $	Consolidated as at 31 December 2015 $
Cash and cash equivalent held in USD bank accounts	2,482	16,657
Convertible notes issued in USD	809,148	-

The Group undertakes transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed by generally holding funds in United States and Australian dollars and only remitting funds to foreign subsidiaries as needed to reduce the foreign currency exposure.

The Group has foreign subsidiary companies with functional currencies that differs to the presentation currency of the Group. The financial statements of the foreign subsidiaries are required to be translated from the functional currency to the presentation currency of the Group, being Australian dollars.

Any movement in exchange rates will affect the carrying values of the Group's assets and liabilities where the financial statements of the subsidiary companies are denominated in a currency other than Australian dollars.

ii. Price risk

The Group is not exposed to equity price risk which arises from available-for-sale equity securities as it currently does not hold any available-for sale equity securites. The group is exposed to equity price risk via the terms of the convertible notes which include a conversion option exercisable at the discretion of the holder. As the floor on the conversion price was significantly above the share price at 31 December 2016, a change in the share price of +-100% would have no impact on the carrying value of the convertible notes.

iii. Interest rate risk

migme Limited's exposure to interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in the interest rates. migme Limited does not have a formal policy in place to mitigate such risk. The following table summarises the interest rate risk for migme Limited, together with the effective interest rates as at the balance date.

	Floating Interest Rate	Fixed Interest Rate Maturing In			Non Interest Bearing	Total	Weighted Average Effective Interest Rate	
		< 1 Year	1 to 5 Years	> 5 Years			Floating	Fixed
	$	$	$	$	$	$	%	%
As at 31 December 2016								
Financial Assets								
Cash and cash equivalents	26,298	-	-	-	256,836	283,134	0.76	-
Other receivables	-	-	-	-	354,778	354,778	-	-
Deposits	-	-	-	-	136,046	136,046	-	-
Financial Liabilities								
Trade and other payables	-	-	-	-	1,901,796	1,901,796	-	-
Convertible notes	-	2,061,788	-	-	-	2,061,788	-	24
As at 31 December 2015								
Financial Assets								
Cash and cash equivalents	4,270,458	-	-	-	4,387,988	8,658,446	1.88	-
Other receivables	-	-	-	-	399,451	399,451	-	-
Deposits	-	-	-	-	157,481	157,481	-	-
Available for sale securities	-	-	-		10,708	10,708	-	-
Financial Liabilities								
Trade and other payables					1,693,669	1,693,669		
Deferred consideration	-	-	-	-	710,302	710,302	-	-
Convertible notes	-	-	3,392,441	-	-	3,392,441	-	22

The Group did not have a significant exposure to interest rate risk at 31 December 2016.

c) Liquidity Risk

migme Limited aims to maintain adequate levels of cash and cash equivalents to meet its financial obligations:

	Carrying Amount $	Contractual Cash Flows $	< 3 months $	3-12 months $	1-2 Years $	2-5 Years $
As at 31 December 2016						
Trade Payables	1,901,796	1,901,796	1,721,494	180,302	-	-
2016 Convertible notes designated at fair value through profit and loss	895,265	895,265	895,265			
2015 Convertible notes	1,166,523	1,166,523	1,166,523	**180,302**		
As at 31 December 2015						
Trade Payables	1,693,669	1,693,669	1,665,928	27,432	309	-
Deferred Consideration	68,512	68,512	68,512	-	-	-
2015 Convertible notes (with derivative liability)	3,392,441	4,200,000	87,022	262,978	3,850,000	
Total	**5,154,622**	**5,962,181**	**1,821,462**	**290,410**	**3,850,309**	**-**

26. Commitments and contingencies

Operating leases relate to office premises with lease terms of between 2 to 3 years, with an option to extend for a further 1 to 3 years. All operating lease contracts contain market review clauses in the event that the consolidated entity exercise its option to renew. The consolidated entity does not have an option to purchase the leased asset at the expiry of the lease period.

Future minimum rentals payable under non-cancellable operating leases at 31 December are as follows:

	Consolidated	
	2016	**2015**
	$	**$**
Non-cancellable operating lease commitments		
Not later than 1 year	494,001	445,874
Later than 1 year and not later than 5 years	331,318	284,660
Later than 5 years	-	-
Total	825,319	**730,534**

The operating lease expense associate with the above commitments is $666,442 for the year ended 31 December 2016 (2015: $524,675).

The minimum guarantee payments for the revenue sharing arrangements are contingent upon usage.

27. Events After Balance Sheet Date

Convertible Notes

During January 2017, Migme Ltd entered into Convertible Note Deeds resulting in proceeds of $345,000 being received before corporate fees. The key terms of the convertible note are:

- Maturity Date – 31 December 2016
- Coupon rate of 10% per annum
- Conversion price of $0.20
- Convertible after 90 days of signing convertible note deed
- 2 free attaching options issued for each share converted

Sale of operating assets

On 26 April 2017, migme Limited announced an agreement with listed (SPCL:US) Nevada based Solaris Power Cells, Inc (Solaris), whereby Solaris is to acquire the operating assets of migme Ltd in a scrip based transaction. Pursuant to the Agreement, Solaris is to acquire 100% of the issued capital of Project Goth, Inc. (Project Goth), a 100% owned subsidiary of migme that owns the Singapore and other operating companies, including all the Company's intellectual property, in consideration for the issue of 5,081,210,431 Solaris shares. Solaris's fully diluted issued capital is currently 11,178,662,949 shares. Solaris will issue a further 4,064,968,345 shares for an Employee Share Options Scheme (ESOP) and to advisers associated with the transaction. Employees and associates of migme may be beneficiaries of the ESOP in the future, but as yet, any allocations have yet to be determined.

The transaction is conditional upon a US$1.5 million financing of Project Goth (Financing), to be completed prior to the migme shareholder meeting which is to be held to approve the transaction. Under the proposed Financing, Project Goth will issue US$1.5 million of convertible notes that are redeemable in 3 months with a coupon rate of 10% and secured by the operating assets of Project Goth. Immediately prior to completion of the Solaris transaction, such notes will automatically convert into Project Goth shares representing one-third of the issued shares in Project Goth. Upon completion of the Solaris transaction, Solaris shares are to be issued to all Project Goth shareholders (ie migme and the note holders) and to key employees and affiliates.

As at the date of this report US$100,000 of the US$1.5m had been placed.

The final details of the transaction will be describeddescrived in a notice of meeting to be sent to all shareholders. The transaction and the Financing represents a disposal of the Companys' major undertaking and, as such is subject to the regulatory and migme shareholder approval.

Statutory demand

On 10 May 2017, the Group received a Statutory Demand from a convertible noteholder for the repayment of $315,616 plus additional interest as accrued from 18 February 2017, within 21 days.

Other

There has been no other matter or circumstance that has arisen since 31 December 2016 which has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

28. Parent Entity Information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 2 for a summary of the significant accounting policies relating to migme Limited.

a) Summary of financial position

	Consolidated	
	2016	2015
	$	$
Assets		
Current assets	2,599,251	6,533,577
Non-current assets	-	2,459,764
Total Assets	**2,599,251**	**8,993,341**
Liabilities		
Current liabilities	2,644,336	1,362,392
Non-current liabilities	-	3,042,441
Total Liabilities	**2,644,336**	**4,404,833**
Equity / (Shareholder's deficit)		
Contributed equity	86,406,549	66,963,706
Reserves	5,466,341	4,167,651
Accumulated losses	(91,917,975)	(66,542,849)
Total (shareholder's deficit) / Equity	**(45,084)**	**4,588,508**
Financial performance for the year ended 31 December 2016		z
Loss for the year and other comprehensive income / (loss)	(25,375,126)	(54,310,747)
Total comprehensive loss	**(25,375,126)**	**(54,310,747)**

b) Guarantees entered into by the parent entity

There were no guarantees entered into by the parent entity.

29. Subsidiaries

The consolidated financial statements include the financial statements of migme Limited as the ultimate legal parent and the subsidiaries listed in the following table:

			Equity Interest	
Name of Subsidiary	**Country of incorporation**	**Functional currency**	**31 December 2016**	**31 December 2015**
Migme Taiwan Ltd	Taiwan	TWD	100%	100%
Project Goth, Inc.	USA	USD	100%	100%
Project Goth Sdn Bhd	Malaysia	MYR	100%	100%

New Sense Enterprises Ltd	Hong Kong	HKD	100%	100%
Project Goth India Pvt Ltd	India	INR	100%	100%
Eva Advisors Pty Ltd	South Africa	ZAR	100%	100%
Project Goth Pty Ltd	Australia	AUD	100%	100%
migme Pte Ltd	Singapore	SGD	100%	100%
• M3H Pte Ltd	Singapore	SGD	100%	100%
LoveByte Pte Ltd (i)	Singapore	SGD	-	100%
Westmag Resources Ltd (ii)	Bahamas	USD	-	100%

The consolidated financial statements include the financial statements of PT Hipwee Media Solutions and PT Global Shopdeca which were acquired on 31 December 2015 and on 31 March 2016 respectively. The Group is deemed to have a present ownership interest in both PT Hipwee Media Solutions and PT Global Shopdeca equivalent to a 100% beneficial interest.

(i) This subsidiary has been deregistered during the financial year.
(ii) This subsidiary has remained dormant and inactive and has been disposed in April 2016.

30. Business combinations

PT Shopdeca Global Acquisition

On 31 March 2016, the Group completed the acquisition of an Indonesian ecommerce business ("PT Shopdeca Global"). PT Shopdeca Global is an ecommerce company based in Indonesia.
PT Shopdeca Global provides the Group with:

- A business license to undertake eCommerce activities in Indonesia, which is closed to foreign ownership;
- An established eCommerce business which can be integrated into the Group's global eCommerce operations; and
- Management and expertise to lead the Group's global eCommerce strategy.

Provisional goodwill, which represents the assembled workforce and non-separable or identifiable intangible assets arising from the acquisition was been recognised as follows:

	2016 $
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.

Subsequent to the acquisition, management assessed that the carrying value of the provisional goodwill exceed its recoverable due to on-going uncertainty of the Shopdeca business. As a result, management impaired the entire goodwill balance during the year ended 31 December 2016 (see note 1213).

Further, Shopdeca has been determined to beas being a discontinued operation at 31 December 2016 as it was highly probable that the Group would dispose of this business after the year end. Refer to Note 6 for more details.

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

	2016 $
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:

	2016 $
Purchase consideration paid	933,464
Less: cash acquired	(38,252)
Net outflow of cash	**895,212**

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

The acquired business contributed revenues of $2,692,701 and net loss after tax of $1,983,977 to the Group for the period from acquisition to 31 December 2016.

If the acquisition had occurred on 1 January 2016, Group revenues would have been $15,391,838 and 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 profit and loss for the year ended 31 December 2016.

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 acquisition of PT HIpwee Media Solutions:

- Provides access to content generation capabilities that can be cross-marketed on the migme platform leading to increased levels of engagement;
- Enables wider reach via users on migme's platform;
- Increased the reach of the migme platform.

Following the finalisation of the purchase price allocation in 2016 and the recognition of measurement period adjustments (see note 3), goodwill arising from the acquisition has been recognised as follows:

	2016 $
Shares issued	641,790
Options granted	18,170
Total consideration paid	**659,960**
Less: fair value of identifiable assets acquired	(16,838)
Goodwill arising on acquisition	**643,122**

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 90 days VWAP post-completion. For the year ended 31 December 2016, the options granted of $18,870 represents the fair value at acquisition date.

31. Prepayments

		Consolidated	
		2016 $	2015 $
Prepaid advertising cost	(i)	920,000	-
Prepayment for services still to be rendered	(ii)	1,170,188	-
Others		94,110	251,432
Total		**2,184,298**	**251,432**

(i) The amount relates to prepaid advertising agreement entered into by the Group with PT Media Nusantara Citra Tbk ("MNC Media") in August 2016, where MNC Media agreed to provide advertising for a 24-month term period.

(ii) The amount relates to 2,925,470 migme shares issued to Mobile Only Accelerator Ltd ("MOX") and General Mobile Corporation ("GMobi") for using MOX program on marketing and promotional activities, which involve a revenue sharing mechanism between the parties. This agreement has an initial term of 9 months. As at 31 December 2016, this program had yet to commence and no revenue and associated costs were recognised for the financial period.

32. Related party transactions

a) Wholly owned group – intercompany transactions and outstanding balances

The parent entity and its controlled entities entered into the following transactions during the year within the wholly owned group:

- Loans were advanced and repayments received on loans and intercompany accounts; and
- Fees were exchanged between entities.

b) Ownership interest in related entities

Interests in controlled entities are set out in note 28.

c) Expenses paid to related entities

During the financial year ended 31 December 2016, the following amounts were paid to the following related entities:

	Associated with		Nature of Transaction	Transaction Value: Expensed 2016	Transaction Value: Commitments at 31 December 2016
				$	$
Discovery Capital Limited	H. Dawson	(i)	Rent and general outgoings for Perth office (ceased June 2016)	6,000	-
PT Puntak Teknologi	A. Zain	(ii)	Rent and associated service fee for Indonesian office	33,469	19,987
Numerella Consulting Pty Ltd	S. Llanwarne	(iii)	Consulting fees	192,000	-
Liberty Executive Offices Pty Ltd	H. Dawson	(iv)	Rent for Perth office (from April 2016)	11,952	3,987
Total				**243,421**	**123,141**

All transactions were made on normal commercial terms and conditions and at market rates. There are no outstanding liabilities at 31 December 2016.

(i) The term of the lease agreement is effective from 1 January 2016 to 30 June 2016 for a period of 6 months, with monthly rental of $1,000 per month. This is expired on 30 June 2016.

(ii) The term of the lease agreement is effective from 1 August 2015 to 31 July 2017 for a period of 24 months, with monthly rental of $2,806 per month.

(iii) This relates to consultancy fee of $16,000 per month payable to Steven Llanwarne (non-executive director) for consultancy services being provided.

(iv) The term of the liberty executive offices license agreement is effective from 1 April 2016 to 31 December 2016 for a period of 9 months, with monthly fee of $1,461 per month.

d) Key management personnel compensation

	2016	2015
	$	$
Short-term employee benefits	1,093,269	901,027
Post- employment benefits	-	-
Termination benefits	-	-
Share based payments	59,190	1,236,835
Total	**1,152,459**	**2,137,862**

e) Loans to Directors

A loan of $95,622 was advanced during the year. The terms were interest free, unsecured and no fixed terms of repayment.

33. Remuneration of auditors

	Consolidated	
	2016	**2015**
	$	**$**
Amounts received or due and receivable by Ernst and Young Australia for the audit of the consolidated financial report of migme Ltd.	237,500	-
Amounts received or due and receivable by Stanton Partners for the audit of the consolidated financial report of migme Ltd.	-	166,864
Amounts received or due and receivable by other auditors for the audit of entities within the consolidated group of migme Ltd.	10,466	55,613
Total remuneration of auditors	**247,966**	**222,477**

Directors Declaration

31 December 2016

1. In the opinion of the Directors:

   a) the financial statements and notes of migme Limited for the financial year ended 31 December 2016 are in accordance with the Corporations Act 2001, including:

      i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance, for the year ended on that date; and

      ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and

   b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2(a); and

   c) there are reasonable grounds , subject to the matters described in note 2(b), to believe that the Company will be able to pay its debts as amd when they become due and payable;

2. This declaration has been made after receiving the declarations required to be made to the directors by the chief executive office and chief financial officer in accordance with Section 295A of the Corporations Act 2001 for the year ended 31 December 2016;

On behalf of the Directors

Steven Goh

Director

25 May 2017

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
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Independent auditor's report to the members of migme Limited

Report on the audit of the financial report

Disclaimer of opinion

We were engaged to audit the financial report of migme Limited ("the Company") and its subsidiaries (collectively "the Group"), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

We do not express an opinion on the accompanying financial report of the Group. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion for this financial report.

Basis for disclaimer of opinion

We draw attention to Note 2(b) in the financial report which indicates that the consolidated entity incurred losses of $25,848,209 during the year ended 31 December 2016, that at that date its current liabilities exceeded its current assets by $1,538,784 and it total liabilities exceed its total assets by $253,003. As further disclosed in Note 2(b), as at the date of this report the consolidated entity has been served with a statutory demand for the repayment of a convertible note, has limited cash available and has not secured sufficient additional funding to be able to fulfil future committed operational expenditure. We have been unable to obtain sufficient appropriate audit evidence as to whether the consolidated entity can achieve the matters disclosed in Note 2(b) and hence remove significant doubt of its ability to continue as a going concern.

Subsequent to 31 December 2016, the Group has disposed of the e-commerce business operating in Indonesia trading as Shopdeca and the buyer has assumed control of its business and affairs. Books and records relating to Shopdeca were not available to the directors or to the auditors. As a result of not being able to access the books and records of Shodeca, we were unable to obtain sufficient appropriate audit evidence to support the measurement of the amounts disclosed in the consolidated statement of comprehensive income, consolidated statement of cash flows and the notes applicable to these two statements. Consequently, we were unable to determine whether any adjustments to the amounts included in these statements or to the applicable notes to these statements were necessary.

Directors' responsibilities for the financial report

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and for such internal control as the directors determine is necessary to enable the preparation of the financial report is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors of the Company are responsible for overseeing the financial reporting process of the Group.

Auditor's responsibilities for the audit of the financial report

Our responsibility is to conduct an audit of the financial report in accordance with Australian Auditing Standards and to issue an auditor's report. However, because of the matter described in the Basis of Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial report.

We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Report on the audit of the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 16 to 21 of the Directors' Report for the year ended 31 December 2016.

In our opinion, the Remuneration Report of migme Limited for the year ended 31 December 2016, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

T G Dachs
Partner
Perth
25 May 2017

ASX Additional Information
31 December 2016

This section contains additional information required by Australian Securities Exchange Limited listing rules and not disclosed elsewhere in this Annual Report.

Unless otherwise stated, the information provided is as of 15 May 2017.

Distribution Schedule of Security Holders

Spread of holders	1-1,000	1,001-5,000	5,001-10,000	10,001-100,000	100,001 and over	Total
Ordinary Shareholders	187	317	175	426	180	1,285
Options exercisable at $0.20 and expiring 31 July 2017*	-	-	-	-	1	1
Options exercisable at $0.20 and expiring 15 Oct 2019*	-	1	2	10	4	17
Options exercisable at $0.363 and expiring 15 Oct 2019*	–	–	–	–	2	2
Options exercisable at $0.40 and expiring 30 Nov 2019*	–	–	–	–	3	3
Options exercisable at $0.70 and expiring 31 Dec 2018*	–	6	7	29	4	46
Options exercisable at $1.20 and expiring 31 July 2019*	–	13	6	14	5	38

* Holdings at 31 December 2016

Unmarketable Parcels

	Minimum Parcel Size	Holders	Units
Minimum $500 parcel at $0.044 per unit	11,364	697	2,583,004

ASX Additional Information
31 December 2016

Twenty Largest Shareholders

The names of the twenty largest holders of ordinary shares are:

		Number of Shares Held	% Held
1	Big Build Enterprises Limited	50,074,756	15.84
2	HSBC Custody Nominees (Australia) Limited	40,520,399	12.82
3	Meitu Investment ltd	16,695,069	5.28
4	Heracles Investments Group Limited	16,189,846	5.12
5	Smart Tailor Trading Limited	12,329,967	3.90
6	High Income International Limited	12,329,967	3.90
7	DMP-105 Ltd	10,434,619	3.30
8	Sunshore Holdings Pty Ltd	9,784,066	3.09
9	T Durden Pte Ltd	6,221,950	1.97
10	Mr. Malcolm David Steinberg & Mr. Adam Gregory Steinberg	6,101,490	1.93
11	Citicorp Nominees Pty Limited	6,071,178	1.92
12	Writeman Pty Ltd	5,000,000	1.58
13	Novel Set Limited	4,914,810	1.56
14	Novel Set Limited	4,479,104	1.42
15	JP Morgan Nominees Australia	4,064,891	1.29
16	KTW Global Holdings Sdn Bhd	4,400,000	1.26
17	AT Growth Equities Sdn Bhd	3,715,000	1.18
18	Palm Villa Pty Ltd	3,321,949	1.05
19	Mohd Idris Bin Jais	3,200,000	1.01
20	John Lee	2,899,304	0.92
		222,748,365	**70.34**
Total ordinary shares quoted on ASX		**316,152,890**	
Total ordinary shares on issue		**316,152,890**	

ASX Additional Information
31 December 2016

Restricted securities

As at 15 May 2017, the Company has no ASX Restricted Shares on issue.

There are however 1,769,511 shares on issue which are quoted on the ASX but are voluntarily restricted from trading.

Holders of non-marketable parcels

As at 15 May 2017, the Company has 17,554,839 ordinary shares not yet issued for unquoted options outstanding. Details of those unquoted options are as set out below:

- 7,500,000 options each exercisable at $0.20 and expiring 31 July 2017;
- 1,442,729653,832 options each exercisable at $0.20 and expiring 15 October 2019
- 399,947 options each exercisable at $0.363 and expiring 15 October 2019;
- 600,000 options each exercisable at $0.40 and expiring 30 November 2019;
- 2,426,191476,987 options each exercisable at $0.70 and expiring 31 December 2018;
- 875,000 options each exercisable at $0.70 and expiring 31 December 2018;
- 32,56644,662 options each exercisable at $0.70 and expiring 31 July 20192017;
- 51,905 options each exercisable at $1.20 and expiring 31 October 2019;
- 1,226,501245,876 options each exercisable at $1.20 and expiring 31 July 2019;
- 2,750,000 options each exercisable at $1.20 and expiring 31 July 2019;
- 50,000 options each exercisable at $0.70 and expiring 4 July 2017;
- 150,000 options each exercisable at $1.20 and expiring 31 January 2020; and
- 50,000 options each exercisable at $0.65 and expiring 31 January 2018

Substantial shareholders

Big Build Enterprises Limited and associated entities have 59,468,670 fully paid ordinary shares representing 18.81% of the total fully paid ordinary shares on issue.

Steven Goh and his controlled entities have 20,304,238 fully paid ordinary shares representing 6.42% of the total fully paid ordinary shares on issue.

On-market buy-back

There is no current on-market buy-back.

Acquisition of voting shares

No issues of securities have been approved for the purposes of Item 7 of section 611 of the Corporations Act 2001.

Voting rights

Ordinary Shares - On a show of hands, every member present in person or by proxy shall have one vote and, upon a poll, each share shall have one vote per share.

Tax status

The Company is treated as a public company for taxation purposes.

Franking credits

The Company has nil franking credits.

Business objectives

The Company has used the cash and assets in a form readily convertible to cash that it had at the time of re-admission to the official list of ASX in a way consistent with its business objectives.

Other Stock Exchanges

The Company's ordinary shares are quoted on the Deutsche Borse: WELA (WKN: A117AB).