



LiveTiles | Your digital workplace

**APPENDIX 4D
HALF-YEAR INFORMATION GIVEN TO THE ASX
UNDER LISTING RULE 4.2A**

**LIVETILES LIMITED
ABN 95 066 139 991**

**6 MONTHS ENDED
31 DECEMBER 2016**

The information provided in this report should be read in conjunction with the most recent annual financial statements and ASX announcements.

**LiveTiles Limited ABN 95 066 139 991
and Controlled Entities**

LiveTiles Limited and Controlled Entities

APPENDIX 4D – INTERIM FINANCIAL REPORT FOR THE 6 MONTHS ENDED 31 DECEMBER 2016

Company details

Name of entity:	LiveTiles Limited
ABN:	95 066 139 991
Reporting period:	6 months ended 31 December 2016
Previous period:	6 months ended 31 December 2015

Results for announcement to the market

Key information	6 months ended 31 December 2016	6 months ended 31 December 2015	Change
	\$	\$	%
Revenue from ordinary activities	686,666	185,530	270
Loss after tax from ordinary activities attributable to members	(2,773,896)	(9,848,849)	72
Loss attributable to members	(2,773,896)	(9,848,849)	72

Dividends paid and proposed

	Amount per Security (cents)	Franked Amount per Security at 30% of Tax (cents)
Ordinary shares:		
Dividend for the 6 months ended 31 December 2016	Nil	Nil

Explanation of key information and dividends

An explanation of the above figures is contained in the "Operating and financial review" included within the attached directors' report.

Net tangible assets per share

	6 months ended 31 December 2016	6 months ended 30 June 2016
	Cents/Share	Cents/Share
Net tangible assets per share	1.97	2.42

Control gained or lost over entities in the period

The Group did not gain or lose control over any entities during the 6 months ended 31 December 2016.

Investments in associates and joint ventures

Equity accounted associates and joint ventures	Nil
Aggregate share of profit/(losses) of associates and joint ventures	Nil

**LiveTiles Limited ABN 95 066 139 991
and Controlled Entities**

APPENDIX 4D – INTERIM FINANCIAL REPORT FOR THE 6 MONTHS ENDED 31 DECEMBER 2016

Audit qualification or review

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

Attachments

The Interim Report of LiveTiles Limited for the 6 months ended 31 December 2016 is attached.

Signed



Matthew Brown
Executive Director

23 February 2017
Sydney

LiveTiles Limited ABN 95 066 139 991
and Controlled Entities

LiveTiles Limited

ABN 95 066 139 991

Interim Report - 31 December 2016

LiveTiles Limited ABN 95 066 139 991 and Controlled Entities

DIRECTORS' REPORT

The directors present their report, together with the financial statements, on the consolidated entity consisting of LiveTiles Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled (the 'consolidated entity') at the end of, or during, the 6 months to 31 December 2016 (the 'period').

Directors

The names of directors who held office during or since the end of the period:

Andrew Gray	Non-executive Chairman
Karl Redenbach	Executive Director and Chief Executive Officer
Peter Nguyen-Brown	Executive Director and Chief eXperience Officer
Matthew Brown	Executive Director and Chief Financial Officer
Michael Hill	Non-executive Director

Principal activities

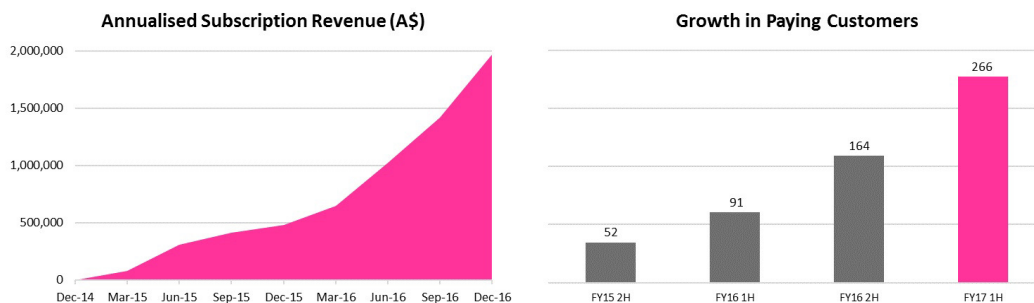
During the period the principal continuing activities of the consolidated entity consisted of the development and sale of digital workplace software. LiveTiles' customers represent a diverse range of sectors and are spread throughout North America, United Kingdom, Europe, the Middle East and Asia-Pacific.

The Company is headquartered in New York, with offices in Tri-Cities (Washington State, USA), Sydney, Melbourne, Hobart and London.

Operating and financial review

For the 6 months to 31 December 2016, total revenue and other income was \$1,946,261 (2015: \$917,765), including subscription revenue of \$686,666 (2015: \$185,530) and accrued research and development tax concession income of \$1,253,229 (2015: \$714,933). In addition, unearned revenue (a balance within the Statement of Financial Position) was \$874,567 (2015: \$557,828).

Annualised Subscription Revenue grew to \$1,965,783 as at 31 December 2016 (2015: \$480,000), comprising 266 paying customers (2015: 52 paying customers). Annualised Subscription Revenue represents the subscription licence fees committed by our customers on a full year basis (whether or not the customer elects to pay monthly or annually).



**LiveTiles Limited ABN 95 066 139 991
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DIRECTORS' REPORT

New customers secured in the 6 months to 31 December 2016 included:

- a unit of the US Department of Defence;
- an Australian power utility company;
- a global specialty retail chain headquartered in Europe;
- a major financial services institution in Australia;
- one of the world's largest media agency groups;
- a subsidiary of one of the world's largest brewers;
- a leading food producer in the Asia Pacific region; and
- a large real estate conglomerate in the Middle East.

Average Annualised Subscription Revenue per customer increased in the 6 months to 31 December 2016 due to several large customer wins and a price increase implemented in the December 2016 quarter.

LiveTiles recorded a loss after tax of \$2,773,896 for the period (2015: \$9,848,849). Included within this loss are \$440,256 of non-cash share based payments expense (2015: \$3,959,738) and \$16,001 of non-recurring expenses (2015: \$717,000). Excluding non-cash share based payments and non-recurring expenses, the loss before tax was \$2,436,352 (2015: \$2,432,000).

The table below summarises the statement of profit or loss, including the non-cash and non-recurring expenses:

	Notes	6 mths ended 31 Dec 16 (\$'000)	6 mths ended 31 Dec 15 (\$'000)
Subscription revenue		687	186
Research and development grant	(a)	1,253	715
Other income		6	17
Total revenue and other income		1,946	918
Total operating expenses	(b)	(3,948)	(3,053)
Amortisation of development costs		(434)	(297)
Loss before income tax expense and non-recurring/non-cash items		(2,436)	(2,432)
<i>Non-recurring expenses</i>			
Transaction expenses	(c)	-	(502)
rhipe Shared Services agreement		(16)	(215)
Total non-recurring expenses		(16)	(717)
<i>Non-cash non-recurring expenses</i>			
Reverse listing expense on acquisition of Modun	(d)	-	(2,955)
Share based payments	(e)	-	(3,679)
Total non-cash non-recurring expenses		-	(6,634)
<i>Other non-cash expenses</i>			
Share based payments - Management Incentive Plan		(440)	(281)
Loss before income tax expense tax per statutory accounts		(2,892)	(10,064)
Income tax expense		118	215
Loss after income tax expense per statutory accounts		(2,774)	(9,849)

Notes:

(a) Accrual for expected research and development grant for the respective 6 month period.

(b) Excludes non-recurring expenses under rhipe Shared Services Agreement (no longer in operation)

(c) ASX listing and Modun acquisition expenses (excluding capitalised items)

(d) Represents the value of post-completion shares held by pre-completion Modun shareholders less the net assets of Modun at completion

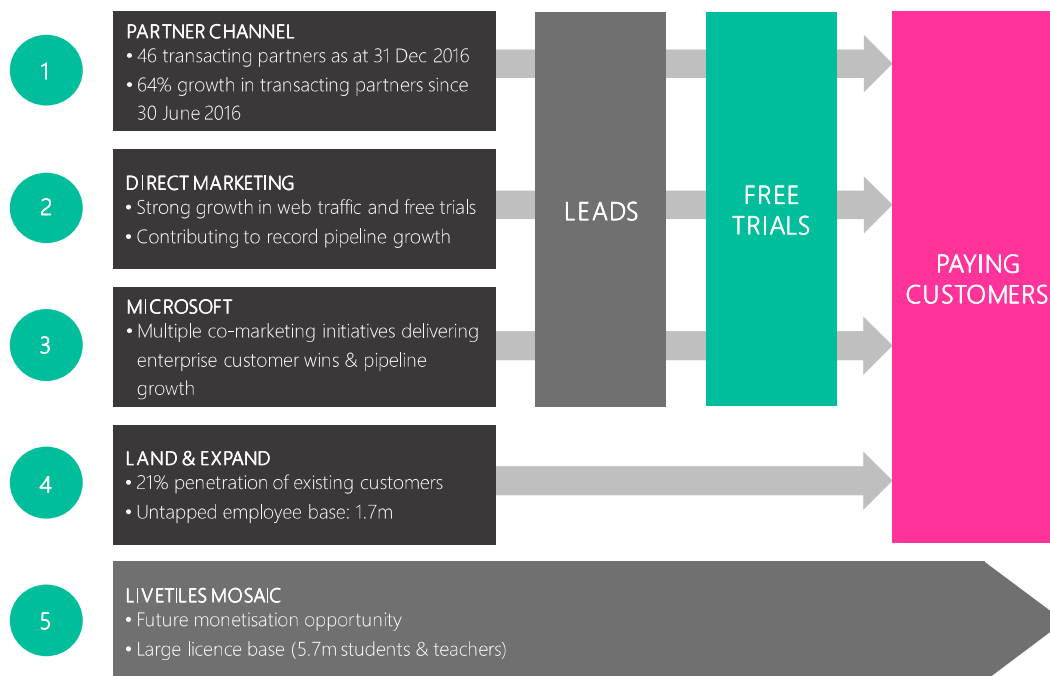
(e) Comprises: shares issued by LiveTiles Holdings Pty Ltd (private company) prior to completion of the reverse acquisition and pre-existing Modun options

**LiveTiles Limited ABN 95 066 139 991
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DIRECTORS' REPORT

The Group's cash balance as at 31 December 2016 was \$6,965,206 (2015: \$8,055,057). In addition to its cash balance as at 31 December 2016, LiveTiles expects to receive a research and development grant of \$1,253,229 (2015: \$714,933) in relation to the 6 months ended 31 December 2016 (expected to be received prior to 31 December 2017). As at 31 December 2016, 61% (2015: 78%) of LiveTiles' cash balance was held in US dollars and 39% (2015: 22%) was held in Australian dollars.

Growth strategy



Partner channel

LiveTiles has continued to focus on building a large network of partners to broaden the company's reach and achieve scale in a substantial addressable market. LiveTiles' partner network grew from 152 partners as at 30 June 2016 to 185 partners as at 31 December 2016, representing growth of 22% over the 6 months. The number of transacting partners grew to 46 as at 31 December 2016, up 64% since 30 June 2016.

Direct sales & marketing

In addition to selling through partners, LiveTiles conducts direct sales and marketing activities. Digital marketing initiatives are used to direct traffic to the company's website and generate requests for free trials of LiveTiles' products. As at 31 December 2016, free trials had been requested by more than 1,300 organisations. Many sales leads generated through the company's digital marketing activities are referred to LiveTiles partners.

Microsoft

LiveTiles continued to conduct a range of co-marketing initiatives with Microsoft during the period across USA, Australia, the UK and Europe, Middle East and Africa. These initiatives generated a significant number of new customers during the period, together with increasing the company's sales pipeline.

**LiveTiles Limited ABN 95 066 139 991
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DIRECTORS' REPORT

Land & expand

It is common for LiveTiles customers (particularly large customers) to initially acquire LiveTiles licences for a particular division or region of their organisation. As at 31 December 2016, LiveTiles' penetration rate across its entire paying customer base (paid licences versus total employees) was 21%. LiveTiles is focused on increasing its penetration of existing customers over time and thereby increasing Annualised Subscription Revenue.

LiveTiles Mosaic

LiveTiles Mosaic has continued to attract new users.

LiveTiles Mosaic enables kindergarten to year 12 (K-12) teachers to easily create modern, touch-friendly digital classrooms which seamlessly integrate with Office 365. LiveTiles Mosaic is currently offered to K-12 schools for free. Our key objective with LiveTiles Mosaic is to achieve substantial scale in the global K-12 education market ahead of exploring potential monetisation paths.

As at 31 December 2016, LiveTiles Mosaic was licensed to schools and school districts with a student and teacher base of 5.7 million, representing growth of 128% since 31 December 2015.

In December 2016, LiveTiles Mosaic was licensed to all schools within the New York City Department of Education which represents 1.2 million students and teachers. This is the largest licence deal for LiveTiles Mosaic to date and significantly expands LiveTiles' reach within the USA education market.

Product innovation

LiveTiles continued to invest heavily in product innovation during the period:

- **LiveTiles SharePoint:** LiveTiles SharePoint was launched in September 2016 as a bundled offering comprising LiveTiles Design, LiveTiles Build and LiveTiles BluePrint. Several new features and enhancements were added to LiveTiles SharePoint during the period including integrations with Dropbox, Box and Google Drive.
- **LiveTiles Cloud:** LiveTiles Cloud is a digital workplace design tool delivered via a Software-as-a-Service (SaaS) model. LiveTiles Cloud gives LiveTiles the ability to deliver digital workplaces outside the Microsoft SharePoint environment and uses Microsoft Azure as its platform. LiveTiles Cloud was released to initial customers in the September 2016 quarter.
- **LiveTiles Mosaic:** LiveTiles Mosaic v4.0 was released in July 2016, delivering K-12 education users equivalent features and benefits to LiveTiles Design v4.0.

Significant changes in the state of affairs

There were no significant changes in the state of affairs for the 6 months to 31 December 2016

Significant events since the end of the financial year

There have been no significant events affecting the Group since 31 December 2016.

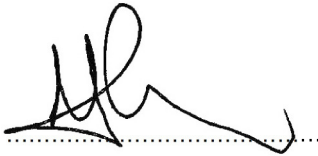
**LiveTiles Limited ABN 95 066 139 991
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DIRECTORS' REPORT

Auditor's Independence Declaration

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* for the 6 months ended 31 December 2016 is set out on page 6.

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

A handwritten signature in black ink, appearing to read 'MB', is written over a horizontal dotted line.

Matthew Brown
Executive Director
23 February 2017
Sydney

DECLARATION OF INDEPENDENCE BY GARETH FEW TO THE DIRECTORS OF LIVETILES LIMITED

As lead auditor for the review of LiveTiles Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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



Gareth Few
Partner

BDO East Coast Partnership

Sydney, 23 February 2017

**LiveTiles Limited ABN 95 066 139 991
and Controlled Entities**

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General information

The financial statements cover LiveTiles Limited as a consolidated entity consisting of LiveTiles Limited and the entities it controlled at the end of, or during, the 6 months to 31 December 2016. The financial statements are presented in Australian Dollars, which is LiveTiles' functional and presentation currency.

**LiveTiles Limited ABN 95 066 139 991
and Controlled Entities**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE 6 MONTHS ENDED 31 DECEMBER 2016**

		Consolidated Group	
	Note	31 December 2016	31 December 2015
		\$	\$
Revenue	2	686,666	185,530
Other income	3	1,259,595	732,235
		1,946,261	917,765
Expenses			
Employee benefits expense		(2,675,185)	(1,670,763)
Marketing expense		(231,874)	(200,859)
Travel and entertainment expense		(273,389)	(485,757)
Professional fees		(235,613)	(177,776)
Other expenses		(547,989)	(733,296)
Depreciation and amortisation		(433,564)	(297,000)
Transaction expenses for ASX listing and acquisition		-	(501,930)
Listing expense on acquisition		-	(2,954,760)
Share based payments expense	9	(440,256)	(3,959,738)
		(4,837,870)	(10,981,879)
Loss before income tax			
		(2,891,609)	(10,064,114)
Income tax benefit		117,713	215,265
Loss for the period		(2,773,896)	(9,848,849)
Other comprehensive income:			
<i>Items that will be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations, net of tax		(81,127)	(118,949)
Total comprehensive income for the period		(2,855,023)	(9,967,798)
Earnings per share for loss attributable to the owners of LiveTiles Limited			
- basic earnings per share (cents)	14	(0.81)	(3.07)
- diluted earnings per share (cents)	14	(0.81)	(3.07)

The accompanying notes form part of these financial statements.

**LiveTiles Limited ABN 95 066 139 991
and Controlled Entities**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016**

	Note	Consolidated Group	
		31 December	30 June
		2016	2016
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		6,965,206	8,055,057
Trade and other receivables	4	1,799,158	2,233,467
Other current assets		31,269	25,264
TOTAL CURRENT ASSETS		8,795,633	10,313,788
NON-CURRENT ASSETS			
Property, plant and equipment		22,319	19,368
Deferred tax assets		381,138	251,397
Intangible assets	5	-	-
Rental deposit		107,579	107,056
TOTAL NON-CURRENT ASSETS		511,036	377,821
TOTAL ASSETS		9,306,669	10,691,609
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	6	1,247,932	779,949
Income tax payable		15,578	39,052
Employee benefits provision		133,460	112,081
Provisions		247,200	-
Other current liabilities	7	874,567	557,828
TOTAL CURRENT LIABILITIES		2,518,737	1,488,910
NON-CURRENT LIABILITIES			
Employee benefits provision		12,326	12,326
Make good provision		40,000	40,000
TOTAL NON-CURRENT LIABILITIES		52,326	52,326
TOTAL LIABILITIES		2,571,063	1,541,236
NET ASSETS		6,735,606	9,150,373
EQUITY			
Issued capital	8	24,819,714	24,819,714
Reserves	10	1,543,715	1,184,586
Accumulated losses		(19,627,823)	(16,853,927)
TOTAL EQUITY		6,735,606	9,150,373

The accompanying notes form part of these financial statements.

**LiveTiles Limited ABN 95 066 139 991
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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 6 MONTHS ENDED 31 DECEMBER 2016**

Consolidated Group	Note	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2015		2,001,000	143,957	(3,634,323)	(1,489,366)
Loss after income tax for the period		-	-	(9,848,849)	(9,848,849)
Other comprehensive income for the period, net of tax		-	(118,949)	-	(118,949)
Total comprehensive income for the period		-	(118,949)	(9,848,849)	(9,967,798)
Transactions with owners, in their capacity as owners, and other transfers					
Contributions of equity, net of transaction costs	8(e)(f)(g)(i)(k)	19,394,153	-	-	19,394,153
Share based payment expense	9(c)	3,118,561	280,543	-	3,399,104
Share based payment expense for modified option value	9(b)	-	560,000	-	560,000
Options exercised	8(j)	306,000	(136,000)	-	170,000
Total transactions with owners and other transfers		22,818,714	704,543	-	23,523,257
Balance at 31 December 2015		24,819,714	729,551	(13,483,172)	12,066,093
Balance at 1 July 2016		24,819,714	1,184,586	(16,853,927)	9,150,373
Loss after income tax for the period		-	-	(2,773,896)	(2,773,896)
Other comprehensive income for the period, net of tax		-	(81,127)	-	(81,127)
Total comprehensive income for the period		-	(81,127)	(2,773,896)	(2,855,023)
Transactions with owners, in their capacity as owners, and other transfers					
Share based payment expense	9	-	440,256	-	440,256
Total transactions with owners and other transfers		-	440,256	-	440,256
Balance at 31 December 2016		24,819,714	1,543,715	(19,627,823)	6,735,606

The accompanying notes form part of these financial statements.

**LiveTiles Limited ABN 95 066 139 991
and Controlled Entities**

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 6 MONTHS ENDED 31 DECEMBER 2016**

	Consolidated Group	
	31 December 2016	31 December 2015
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers (inclusive of GST)	1,043,492	458,683
Payments to suppliers and employees (inclusive of GST)	(3,346,456)	(5,832,156)
Interest received	8,034	14,442
Interest and other finance costs paid	-	(3,983)
Research and development grant received	1,743,690	-
Income tax paid	(38,956)	-
Net cash used in operating activities	(590,196)	(5,363,014)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash acquired on acquisition	-	2,318,441
Payments for development costs	(433,674)	(297,000)
Payments for plant and equipment	(2,832)	-
Net cash (used in)/provided by investing activities	(436,506)	2,021,441
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	12,000,000
Share issue transaction costs	-	(666,767)
Transaction expenses for ASX listing and acquisition	-	(501,930)
Proceeds from exercise of options	-	170,000
Net cash provided by financing activities	-	11,001,303
Net increase in cash and cash equivalents	(1,026,702)	7,659,730
Cash and cash equivalents at the beginning of the financial period	8,055,057	2,497,842
Effects of exchange rate changes on cash and cash equivalents	(63,149)	(83,190)
Cash and cash equivalents at end of period	6,965,206	10,074,382

The accompanying notes form part of these financial statements.

**LiveTiles Limited ABN 95 066 139 991
and Controlled Entities**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 6 MONTHS ENDED 31 DECEMBER 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation

These interim financial statements for 6 months ended 31 December 2016 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of LiveTiles Limited and its controlled entities (referred to as the "consolidated group" or "group"). As such, it does not contain information that represents relatively insignificant changes occurring during the period within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2016, together with any public announcements made during the following 6 months.

These interim financial statements were authorised for issue on 23 February 2017.

b. Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

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

NOTE 2: REVENUE

	Consolidated Group	
	31 December 2016	31 December 2015
	\$	\$
Software subscription revenue	686,666	185,530

NOTE 3: OTHER INCOME

	Consolidated Group	
	31 December 2016	31 December 2015
	\$	\$
Interest income	5,958	14,422
Research and development grant income	1,253,229	714,933
Other income	408	2,880
	1,259,595	732,235

**LiveTiles Limited ABN 95 066 139 991
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NOTE 4: CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated Group	
	31 December 2016	30 June 2016
	\$	\$
Trade receivables	538,591	482,439
Research and development grant receivable	1,260,567	1,751,028
	<u>1,799,158</u>	<u>2,233,467</u>

Research and development grant receivable

In determining the value of research and development grant receivable, the consolidated entity has made estimates in respect of the costs that are eligible to be claimed under the legislation based on historical grants claimed and research and development costs incurred during the period to 31 December 2016.

NOTE 5: INTANGIBLES

	Consolidated Group	
	31 December 2016	30 June 2016
	\$	\$
Capitalised development costs	1,150,782	717,218
Less: accumulated amortisation	(1,150,782)	(717,218)
	<u>-</u>	<u>-</u>

NOTE 6: CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated Group	
	31 December 2016	30 June 2016
	\$	\$
Trade payables	227,552	169,823
Other payables and accruals	419,104	265,478
Other payables to related parties	601,276	344,648
	<u>1,247,932</u>	<u>779,949</u>

NOTE 7: CURRENT LIABILITIES – OTHER CURRENT LIABILITIES

	Consolidated Group	
	31 December 2016	30 June 2016
	\$	\$
Unearned revenue	874,567	557,828
	<u>874,567</u>	<u>557,828</u>

**LiveTiles Limited ABN 95 066 139 991
and Controlled Entities**

NOTE 8: EQUITY – ISSUED CAPITAL

	Consolidated Group			
	31 December 2016	30 June 2016	31 December 2016	30 June 2016
	Shares	Shares	\$	\$
Ordinary shares - fully paid	342,182,791	342,182,791	24,819,714	24,819,714
Movements in ordinary share capital				
	Date	Shares No.	Issue Price \$	Total \$
Balance	01 July 2015	1,116		2,001,000
Share split (10,000:1)	(a) 24 August 2015	11,160,000		2,001,000
Share capital issued	(b)(c)(d) 24 August 2015	1,221,528	\$2.55	3,118,561
Share capital issued	(e)(f) 24 August 2015	836,340	\$3.27	2,738,500
Reversal of existing shares on acquisition	(g) 25 August 2015	(13,217,868)		-
Issue of LiveTiles limited shares on acquisition of LiveTiles Holdings Pty Ltd	(g) 25 August 2015	225,000,000		5,322,419
Existing shares of Modun Resources Limited on issue	(h) 25 August 2015	35,482,791		-
Share capital issued	(i) 25 August 2015	80,000,000	\$0.15	12,000,000
Issue of shares upon exercise of options	(j) 1 September 2015	1,700,000		306,000
Less: capital raising costs	(k)	-		(666,766)
Balance	30 June 2016 and 31 December 2016	342,182,791		24,819,714
Restricted shares on issue	(l)	36,200,000		-
Total issued capital	31 December 2016	378,382,791		24,819,714

**LiveTiles Limited ABN 95 066 139 991
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NOTE 8: EQUITY – ISSUED CAPITAL (CONTINUED)

- (a) On 24 August 2015, Holdings undertook a share split whereby each Holdings share was divided into 10,000 Holdings shares.
- (b) On 24 August 2015, Holdings issued 855,857 shares to certain employees of Holdings. These shares have been valued at \$2.55 per share and have been recognised in the share based payment expense in note 9.
- (c) On 24 August 2015, Holdings issued 37,471 shares to ripe LiveTiles Pty Ltd. These shares have been valued at \$2.55 per share and have been recognised in the share based payment expense in note 9.
- (d) On 24 August 2015, Holdings issued 328,200 shares to nSynergy LiveTiles Employee Share Plan Pty Ltd. These shares have been valued at \$2.55 per share and have been recognised in the share based payment expense in note 9.
- (e) On 24 August 2015, Holdings issued 588,413 shares to ZTH Tech Pty Ltd and NIA Tech Pty Ltd in discharge of consultancy fees and accrued salaries to the value of \$1,925,996.
- (f) On 24 August 2015, Holdings issued 247,927 shares to ZTH Tech Pty Ltd and NIA Tech Pty Ltd for consideration of \$811,515 representing the repayment of contributions to Holdings.
- (g) On 25 August 2015, Holdings completed the reverse acquisition of Modun Resources Limited (since renamed LiveTiles Limited). The existing shares in Holdings of 13,217,868 were exchanged for 225,000,000 shares in LiveTiles Limited. The fair value of the exchange has been calculated based on the value of the shares that existing Modun Resources Limited shareholders would have in the combined entity, being 35,482,791 shares at a value of \$0.15 per share.
- (h) Modun Resources Limited shares on issue were consolidated on a basis of 50:1, resulting in a total of 35,482,791 shares (originally 1,774,139,534 shares).
- (i) On 25 August 2015, LiveTiles Limited issued 80,000,000 shares at \$0.15 per share to raise \$12,000,000.
- (j) On 1 September 2015, 1,700,000 existing options in Modun Resources Limited were exercised at an exercise price of \$0.10 per share. The movement in equity in relation to the options reflects the amount paid to exercise those options, being \$170,000, and the modified value of the options at acquisition date, being \$136,000.
- (k) Costs directly attributable to the raising of addition funds have been offset against equity.
- (l) As at 31 December 2016 LiveTiles Limited had issued 36,200,000 shares under the Management Incentive Plan.
Tranches A, B and C – 35,000,000 shares were issued under the Management Incentive Plan on 25 August 2015
Tranches D, E and F – 1,200,000 shares were issued under the Management Incentive Plan on 5 April 2016
Refer to note 9(a).
Shares issued under the Management Incentive Plan are not included in the earnings per share calculation in note 14.

**LiveTiles Limited ABN 95 066 139 991
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NOTE 9: SHARE BASED PAYMENTS EXPENSE

	Consolidated Group	
	31 December 2016	31 December 2015
	\$	\$
Share based payment expense		
<i>Non-cash share based payment expense</i>		
Management Incentive Plan shares	440,256	280,548
	440,256	280,548
<i>Non-recurring non-cash share based payment expense</i>		
Modified value of Modun Resources Limited options on issue at acquisition date	-	560,000
Equity settled share based payments	-	3,119,190
	-	3,679,190
	440,256	3,959,738

(a) Management Incentive Plan shares

On 25 August 2015, LiveTiles Limited issued 35,000,000 shares to the Directors via a limited recourse loan under the Management Incentive Plan. The effect of this arrangement is equivalent to granting the Directors an option to purchase the shares at \$0.15. These shares were issued in Tranches A, B and C.

On 5 April 2016, LiveTiles Limited issued 1,200,000 shares to senior employees of the Company via a limited recourse loan under the Management Incentive Plan. The effect of this arrangement is equivalent to granting the employees an option to purchase the shares at \$0.285. These were issued in Tranches D, E and F.

Fair value is independently determined using a Black-Scholes option pricing model that takes into account the effective exercise price, the term of the non-recourse loans, the share price at grant date and expected price volatility of the underlying share. An adjustment has also been made to the valuation to reflect the time and price based vesting conditions. The volatility is based on the volatility in the Company's share price since the date of the reverse acquisition. The assumptions used to value the Management Incentive Plan shares are set out below:

	Tranches A, B and C	Tranches D, E and F
Share price	\$0.15	\$0.25
Effective exercise price	\$0.15	\$0.285
Term of loan to fund acquisition of shares (years)	6	6
Compounded risk-free interest rate	3.1%	3.1%
Volatility	75%	75%
Discount to reflect vesting conditions	40%	40%
Discounted value per share	\$0.06	\$0.10

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NOTE 9: SHARE BASED PAYMENTS EXPENSE (CONTINUED)

The value of the loan shares issued under the Management Incentive Plan has been expensed as a share based payment as follows:

	Number of shares	Date issued	Vesting date	Vesting price	Expense for 6 months ended 31 December 2015	Expense for 6 months ended 31 December 2016
Tranche A	15,000,000	25/8/2015	24/8/2017	\$0.25	157,808	226,850
Tranche B	10,000,000	25/8/2015	24/8/2018	\$0.35	70,137	100,822
Tranche C	10,000,000	25/8/2015	24/8/2019	\$0.45	52,603	75,616
Tranche D	400,000	5/4/2016	6/4/2017	\$0.285	-	20,165
Tranche E	400,000	5/4/2016	6/4/2018	\$0.285	-	10,082
Tranche F	400,000	5/4/2016	6/4/2019	\$0.285	-	6,721
Total	36,200,000				280,548	440,256

(b) Modified value of options on issue at the date of the reverse acquisition

As at the date of the reverse acquisition there were 9,080,000 options outstanding in Modun Resources Limited (renamed LiveTiles Limited). The options were modified to their fair value on the date of the reverse acquisition using a Black-Scholes option pricing model:

	Group 1	Group 2	Group 3	Group 4
Share price	\$0.15	\$0.15	\$0.15	\$0.15
Exercise price of option	\$0.10	\$2.00	\$3.00	\$5.00
Remaining term (years)	2.16	0.35	0.35	0.35
Compounded risk-free interest rate	3.1%	3.1%	3.1%	3.1%
Volatility	75%	75%	75%	75%

The modified value of these options as at the date of the reverse acquisition has been recognised as a share based payment expense in the statement of profit and loss and other comprehensive income and in the share based payment reserve.

	Group 1	Group 2	Group 3	Group 4
Number of shares	7,000,000	720,000	720,000	640,000
Vesting date	21/10/17	31/12/15	31/12/15	31/12/15
Exercise price	\$0.10	\$2.00	\$3.00	\$5.00
Discounted value per share	\$0.08	\$0.00	\$0.00	\$0.00
Share based payment expense for 6 months ended 31 December 2015	\$560,000	-	-	-
Share based payment expense for 6 months ended 31 December 2016	-	-	-	-

**LiveTiles Limited ABN 95 066 139 991
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NOTE 9: SHARE BASED PAYMENTS EXPENSE (CONTINUED)

On 1 September 2015, 1,700,000 options with an exercise price of \$0.10 were converted into fully paid ordinary shares in LiveTiles Limited.

At 31 December 2016 there were 5,300,000 options with an exercise price of \$0.10 outstanding. All other options have expired.

(c) Equity settled share based payments

On 24 August 2015 (prior to the completion of the acquisition of Modun Resources Limited) LiveTiles Holdings Pty Ltd issued 1,221,528 shares:

	Note	No of shares	Issue Price	\$
Issue of shares to LiveTiles employees	(i)	855,857	\$2.55	2,185,003
Issue of shares to rhipe LiveTiles Pty Limited	(ii)	37,471	\$2.55	95,663
Issue of shares to nSynergy LiveTiles Employee Share Plan Pty Ltd	(iii)	328,200	\$2.55	837,895
		<u>1,221,528</u>		<u>3,118,561</u>

- (i) Shares issued to certain LiveTiles employees to align the incentives of those employees with the performance of LiveTiles Holdings Pty Ltd
- (ii) Shares issued to rhipe LiveTiles Pty Ltd (a subsidiary of rhipe Limited) to prevent its existing holding being diluted by reason of the shares issued to LiveTiles employees and nSynergy LiveTiles Employee Share Plan Pty Ltd
- (iii) Represents shares issued to certain employees of the former nSynergy group. The nSynergy group included the LiveTiles business prior to the sale of the nSynergy group in December 2014

The fair value of the shares issued by LiveTiles Holdings Pty Ltd is calculated using the total value of LiveTiles Holdings Pty Ltd shares that were converted to Modun Resources Limited shares, being \$33,750,000. At the time of conversion there were 13,217,868 shares on issue in LiveTiles Holdings Pty Ltd.

NOTE 10: EQUITY – RESERVES

	Consolidated Group	
	31 December 2016	30 June 2016
	\$	\$
Share based payments reserve	1,553,955	1,113,699
Foreign currency translation reserve	(10,240)	70,887
	<u>1,543,715</u>	<u>1,184,586</u>

**LiveTiles Limited ABN 95 066 139 991
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NOTE 11: INTEREST IN SUBSIDIARIES

The subsidiaries listed below have share capital consisting solely of ordinary shares which are held directly by the Group. The proportion of ownership interest held equals the voting rights held by the Group. Each subsidiary's country of incorporation or registration is also its principal place of business.

Name of subsidiary	Principal place of business	Ownership interest held by group	
		31 Dec 2016	30 Jun 2016
LiveTiles Limited (formerly Modun Resources Limited)	Australia		
LiveTiles Holdings Pty Ltd	Australia	100%	100%
LiveTiles APAC Pty Ltd	Australia	100%	100%
LiveTiles R and D Pty Ltd	Australia	100%	100%
LiveTiles Corporation (formerly LiveTiles LLC)	USA	100%	100%
Nuurst Mineral Corporation LLC	Mongolia	100%	100%
Modun Resources Pty Ltd	Singapore	100%	100%

NOTE 12: COMMITMENTS

Operating lease commitments

Non-cancellable operating lease commitments contracted for but not recognised in the financial statements

	Consolidated Group	
	31 December 2016	30 June 2016
	\$	\$
Payable – minimum lease payments:		
- Not later than 12 months	529,752	531,156
- Between 12 months and 5 years	104,835	373,320
	634,587	904,476

NOTE 13: RELATED PARTY TRANSACTIONS

The Group's related parties are as follows:

Parent entity

LiveTiles Limited (formerly Modun Resources Limited) is the legal parent entity. For the purposes of these financial statements, the accounting parent entity is LiveTiles Holdings Pty Ltd.

Subsidiaries

Interests in subsidiaries are set out in note 11.

**LiveTiles Limited ABN 95 066 139 991
and Controlled Entities**

NOTE 13: RELATED PARTY TRANSACTIONS (CONTINUED)

Key management personnel

Key management personnel are limited to those named in the Directors' report. Those personnel have been determined to have authority and responsibility for planning, directing and controlling the activities of the entity and this note includes all payments related to their services.

	Consolidated Group	
	31 Dec 2016	31 Dec 2015
	\$	\$
Payments for services to key management personnel:		
Short term employee benefits	671,655	502,916
Post-employment benefits	23,664	11,101
Share based payments	403,288	2,188,771
Short term fees paid for other services rendered	-	2,254,115
	1,098,607	4,956,903

Transactions with related parties

Payments for services to key management personnel for the 6 months ended 31 December 2015 also include payments to ZTH LLC, KUR Tech Pty Ltd, NIA Tech Pty Ltd and MPNB Tech Pty Ltd which are controlled by key management personnel. Payments made to these entities were in consideration for services rendered on an arm's length basis and have been included in the above table. No other payments to these entities have been made by the consolidated entity.

	Consolidated Group	
	31 Dec 2016	30 June 2016
	\$	\$
<i>Receivables from and payables to related parties:</i>		
Current payables:		
Accrued short term benefits to key management personnel	601,276	344,648
	601,276	344,648

**LiveTiles Limited ABN 95 066 139 991
and Controlled Entities**

NOTE 13: RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with other related parties

rhipe Limited and its subsidiaries (rhipe) are considered to be related parties due to Michael Hill being an executive director of rhipe and a director of the Company. During the 2016 and 2015 financial years the Group paid rhipe for the temporary use of shared resources following the sale of the nSynergy Group to rhipe and rhipe was engaged by the Group to provide IT consulting services to LiveTiles customers.

rhipe is also a reseller and distributor of LiveTiles software. During the 2016 financial year the Group received revenue from rhipe representing the pass through of subscription licence fees (net of reseller margin) payable by end users of LiveTiles software sold by rhipe.

	Consolidated Group	
	31 Dec 2016	31 Dec 2015
<i>Receipts and payments to rhipe</i>	\$	\$
Receipts from rhipe for sale of LiveTiles software	143,710	34,372
Payments to rhipe under Shared Service Agreement	(16,001)	(206,847)
Net payment to rhipe	127,709	(172,475)

	Consolidated Group	
	31 Dec 2016	30 Jun 2016
<i>Receivables and payables to rhipe</i>	\$	\$
Receivable from rhipe	40,218	85,087
Payable to rhipe	(25,095)	(37,461)
	15,123	47,626

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

**LiveTiles Limited ABN 95 066 139 991
and Controlled Entities**

NOTE 14: EARNINGS PER SHARE

	Consolidated Group	
	31 December 2016	31 December 2015
	\$	\$
Loss after income tax expense for the period	(2,773,896)	(9,848,849)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	342,182,791	320,851,661
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	2,550,918	2,429,874
Weighted average number of ordinary shares used in calculating diluted earnings per share	344,733,709	323,281,535
	Cents	Cents
Basic (loss) / earnings per share	(0.81)	(3.07)
Diluted (loss) / earnings per share	(0.81)	(3.07)

NOTE 15: OPERATING SEGMENTS

The business reports results for the whole operation and does not report operating segments due to the size of the business. The information in this report is presented on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM are responsible for the allocation of resources to operating segments and assessing their performance.

NOTE 16: EVENTS AFTER THE REPORTING PERIOD

No matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**LiveTiles Limited ABN 95 066 139 991
and Controlled Entities**

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of LiveTiles Limited, the directors of the company declare that:

1. The financial statements and notes, as set out on pages 8 to 22, are in accordance with the *Corporations Act 2001*, including:
 - a. complying with Accounting Standard AASB 134: *Interim Financial Reporting*; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the 6 months ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the directors

A handwritten signature in black ink, appearing to be 'Matthew Brown', written over a horizontal line.

Matthew Brown
Director

23 February 2017
Sydney

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of LiveTiles Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of LiveTiles Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of LiveTiles Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

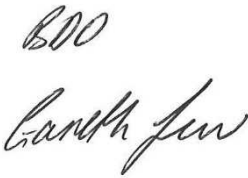
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of LiveTiles Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of LiveTiles Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

BDO East Coast Partnership

A handwritten signature in black ink, appearing to read 'Gareth Few', is written over a faint, stylized 'BDO' logo.

Gareth Few
Partner

Sydney, 23 February 2017