



CHANGE FINANCIAL LIMITED

APPENDIX 4D – HALF YEAR REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Results

Half Year to 31 December	2019 US \$	2018 US \$	\$ Change	% Change
Revenue from ordinary activities	114,663	507,513	(392,850)	Down 77%
Loss from ordinary activities	(1,730,731)	(4,275,612)	2,544,881	reduced 60%
Loss for the period attributable to members	(1,730,731)	(4,275,612)	2,544,881	reduced 60%
Basic EPS – cents per share (loss)	(1.8)	(5.4)	3.6	reduced 67%
Diluted EPS – cents per share (loss)	(1.8)	(5.4)	3.6	reduced 67%

Dividends

No dividend is proposed for the half year ending 31 December 2019 (2018: nil).

Commentary

The commentary on the results of the period is contained in the Review of Operations in the Directors Report in this half year report.

This half year report is presented in the United States currency.

This Half Year Report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Change Financial Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

This financial report covers the consolidated financial statements for the consolidated entity consisting of

Change Financial Limited and its subsidiaries.

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DIRECTORS' REPORT

The Directors present their report together with the financial statements of Change Financial Limited (**Change Financial or Company**) consisting of Change Financial Limited and the entities it controlled at the end of or during the half year ended 31 December 2019 (**Group**).

Directors

The following persons were Directors of Change Financial Limited during the whole of the financial period and up to the date of this report unless otherwise stated:

Teresa Clarke
Ian Leijer
Ben Harrison
Harley Dalton

Principal activities

The Group's principal continuing activity during the half year were providing mobile banking services through its consumer mobile business and development of its enterprise payments processor.

Review of Operations

Company Update

During the half year, the Company achieved a number of key milestones including:

- finalisation of development of Change's innovative payments and card issuing platform;
- PCI DSS certification;
- Platform registered as Mastercard processor;
- Appointment of new CEO;
- Successful issue of first customer cards and live transaction processing;
- Upgrades to fraud detection technology and Change's platform; and
- Progressed strategic commercial partnership and investor discussions.

Change is the first payment and card issuing platform completed in the last 5 years and second in the last 20 years, following US based fintech unicorn, Marqeta Inc. The Change Platform was built from the ground up to address today's payment needs without the complexity and legacy of traditional issuer processors.

Change will initially target more than 7,000 FDIC (Federal Deposit Insurance Corporation) banks, 6,000 credit unions and a host of innovative players in the financial services arena across the US with innovative mobile banking services. The number of US debit and prepaid transactions projected to hit 132 billion p.a. by 2025 and the addressable market transaction volume growth is projected to increase at approx. 60% per annum to 2025¹.

Launch of the Change Platform

During the period, Change obtained PCI DSS certification and the Company's US banking partner, Central Bank of Kansas City ("**CBKC**") formally registered the Company as a Mastercard payments processor.

The Platform has been designed and built as the new standard for innovative payments and card issuing. Change's payments infrastructure allows banks and businesses to develop, customise and launch innovative payment solutions under their own brand.

¹ Edgar Dunn & Company

The Company continues to work through the final implementation stages with its first customer, UpChange, in partnership with its sponsor bank ahead of the UpChange formal launch. As part of this implementation the Company has successfully issued (to beta customers of UpChange) cards and completed all successful transactions including non-card transactions (ACH transfers) via Change's sponsor bank.

Change's innovative payments and card issuing platform includes the following features:

Banking as a Service - White-labelled banking application that allows companies to offer innovative mobile banking applications under their own brand.

Mobile Solution - Award-winning consumer banking technology including features such as paperless mobile account opening and innovative money management tools.

Program Dashboard - Manage payment programs in real-time and configure program and account settings such as transaction limits and fees charged on an individual customer level.

API Connectivity - Built for connecting digital assets that improve time to roll out new programs and features while building infrastructure to improve productivity.

Data Insights & Dynamic Controls - Access to data rich information and real-time payment and authorization controls allowing real-time insights that support day-to-day operations and drive growth.

Mastercard Processor - Payment processing capability built on Mastercard's new network gateway (MNGS). Leverages the best of Mastercard's evolving technology advancements.

In addition, Change made a significant upgrade to its payments and card issuing platform by incorporating Mastercard's fraud scoring and monitoring service - Decision Intelligence - into the Company's transaction processing flow.

Further details about the Change Platform can be found in the Company's ASX announcement dated 30 September 2019.

Appointment of CEO

During the half year the Company announced the appointment of Mr Alastair Wilkie as CEO. Alastair is an experienced executive with 25 years in the financial services industry focused on banking and payments with a background in information technology and business development. He has held senior leadership roles in Australia, Europe and North America directing the creation and growth of businesses, managing service driven business operations and delivering enterprise wide change programs.

Alastair was previously COO of EML Payments Limited (ASX: EML), a leading financial services organisation providing innovative end-to-end card payment solutions and services for consumers, corporates, retail and government entities in Australia, Europe and the USA. As COO he was accountable for the delivery of the P&L for Australia, focused on business development, sales and marketing, information technology, client services, human resources and the program delivery functions.

Prior to EML, he was Executive General Manager at Indue, an Approved Deposit taking Institution (ADI), providing aggregated banking services (payments, cards, ATM and merchant acquiring and retail banking platforms) to Australian credit unions and regional banks. Joining in 2009 he successfully led a 5-year strategic business development plan to diversify Indue's revenue streams and double the profitability with new business sales.

Further details about the appointment of Alastair as CEO can be found in the Company's ASX announcement dated 28 October 2019.

Strategic Update

The Company is currently in discussions with a strategic investor with regards to an investment in the Company. While these discussions are ongoing and are yet to be finalised, the Company anticipates being able to update shareholders shortly once they are formalised.

Matters subsequent to the end of the financial period

No matter or circumstance has arisen since 31 December 2019 that has significantly affected the Group's operations, results or state of affairs, or may do so in subsequent financial periods except as set out in the Review of Operations above.

Likely developments and expected results of operations

Refer to the Review of Operations for further details.

Rounding

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2018/191, the amounts in the directors' report and the financial report have been rounded to the nearest dollar.

Dividends - Change Financial Limited

The Directors of Change Financial Limited do not recommend the payment of a dividend for the 6 months ending 31 Dec 2019 (2018: Nil).

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 7.

Auditor

Pitcher Partners continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2) of the Corporations Act 2001.

Dated 28 February 2020



Ben Harrison
Director

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The Directors
Change Financial Limited
Level 11, 82 Eagle Street
Brisbane QLD 4000

Auditor's Independence Declaration

In relation to the independent auditor's review for the half-year ended 31 December 2019, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act* 2001; and
- (ii) no contraventions of APES110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

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

PITCHER PARTNERS



DAN COLWELL
Partner

Brisbane, Queensland
28 February 2020

Brisbane Sydney Newcastle Melbourne Adelaide Perth

Pitcher Partners is an association of independent firms.

An Independent Queensland Partnership ABN 84 797 724 539. Liability limited by a scheme approved under Professional Standards Legislation.

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FINANCIAL REPORT

These financial statements are the consolidated financial statements of the consolidated entity consisting of Change Financial Limited and its subsidiaries.

The financial statements are presented in the United States currency.

Change Financial Limited is a company limited by shares, incorporated and domiciled in Australia.

Its registered office is:

Level 11, 82 Eagle Street,
Brisbane QLD 4000

Its principal place of business is:

Change Financial LLC
800 Wilshire Boulevard, Suite 200
Hollywood, CA 90028

The financial statements were authorised for issue by the Directors on 28 February 2020. The Directors have the power to amend and reissue the financial statements.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All press releases, financial reports and other information are available on our website under Investor Information:

www.changefinancial.com.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the 6 months ending 31 December	Note	2019 US\$	2018 US\$
Revenue and other income	2	114,663	507,513
Employee benefits expense		(796,874)	(1,066,006)
Advertising & marketing expenses		(13,485)	(170,247)
Program fees		(39,487)	(744,344)
Consulting expenses		(257,186)	(359,237)
Professional services & insurance		(230,845)	(606,356)
Technology hosting		(219,935)	(123,850)
Depreciation and amortisation		(10,043)	(161,766)
Impairment expense		-	(891,944)
Investment in associate – option cost		-	(250,000)
Finance expense	3	(130,524)	-
Other expenses		(147,015)	(409,375)
Profit (loss) before tax		(1,730,731)	(4,275,612)
Income tax (expense) benefit		-	-
Profit (loss) for the period		(1,730,731)	(4,275,612)
Basic loss per share (US cents per share)	7	(1.8)	(5.4)
Diluted loss per share (US cents per share)	7	(1.8)	(5.4)

The Group has initially applied AASB 16 at 1 July 2019 using the modified retrospective approach. Under this approach comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings/ (accumulated losses) (refer note 1(g)).

The consolidated statements above should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 6 months ending 31 December	2019	2018
	US\$	US\$
Loss of the period	(1,730,731)	(4,275,612)
Other comprehensive income		
<i>Items that may be reclassified to profit and loss</i>		
Exchange differences on translation of parent operations	17,374	(113,139)
Total comprehensive loss for the period	(1,713,357)	(4,388,751)

The Group has initially applied AASB 16 at 1 July 2019 using the modified retrospective approach. Under this approach comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings/ (accumulated losses) (refer note 1(g)).

The consolidated statements above should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 Dec 2019 US\$	As at 30 June 2019 US\$
Current assets			
Cash		923,585	1,464,976
Other receivables		209,653	172,554
Lease receivable		187,116	-
Other current assets		10,798	-
		1,331,152	1,637,530
Held for sale – investment in associate		-	99,999
Total current assets		1,331,152	1,737,529
Non-current assets			
Property, plant & equipment		2,438	12,981
Intangible assets		1	1
Lease receivable		263,603	-
Total non-current assets		266,042	12,982
TOTAL ASSETS		1,597,194	1,750,711
Current liabilities			
Trade and other payables		311,643	236,496
Provisions		142,200	121,354
Lease liability - current		144,379	-
Borrowings	4	2,056,412	1,050,447
Other current liabilities		-	39,885
Total current liabilities		2,654,634	1,448,182
Non-current liabilities			
Lease liability		249,574	-
Total non-current liabilities		249,574	-
TOTAL LIABILITIES		2,904,208	1,448,182
NET ASSETS/(LIABILITIES)		(1,307,014)	302,329
Equity			
Contributed equity	5	29,610,155	29,582,499
Reserves	6	4,009,942	3,942,740
Retained earnings / (accumulated losses)		(34,927,111)	(33,222,910)
TOTAL EQUITY/(DEFICIENCY)		(1,307,014)	302,329

The Group has initially applied AASB 16 at 1 July 2019 using the modified retrospective approach. Under this approach comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings/ (accumulated losses) (refer note 1(g)).

The consolidated statements above should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Contributed Equity US\$	Reserves US\$	Accumulated Losses US\$	Total Equity US\$
Balance at 1 July 2018		26,607,205	4,147,507	(28,458,022)	2,296,690
Profit (loss) for the period		-	-	(4,275,612)	(4,275,612)
Exchange differences on translation of the parent operation		-	(113,139)	-	(113,139)
Total comprehensive loss for the period		-	(113,139)	(4,275,612)	(4,388,751)
Transactions with owners in their capacity as owner					
Options forfeited		-	(124,282)	-	(124,282)
Contributions (net of costs)		2,429,194	-	-	2,429,194
Total		2,429,194	(124,282)	-	2,304,912
Balance at 31 December 2018		29,036,399	3,910,086	(32,733,634)	212,851
Balance at 1 July 2019		29,582,499	3,942,740	(33,222,910)	302,329
Change of accounting policy (AASB16)	1(g)			26,530	26,530
Adjusted balance at 1 July 2019		29,582,499	3,942,740	(33,196,380)	328,859
Profit (loss) for the period		-	-	(1,730,731)	(1,730,731)
Exchange differences on translation of the parent operation		-	17,374	-	17,374
Total comprehensive loss for the period		-	17,374	(1,730,731)	(1,713,357)
Transactions with owners in their capacity as owner					
Options issued (forfeited)		-	49,828	-	49,828
Contributions (net of costs)		27,656	-	-	27,656
Total		27,676	49,828	-	77,484
Balance at 31 December 2019		29,610,155	4,009,942	(34,927,111)	(1,307,014)

The Group has initially applied AASB 16 at 1 July 2019 using the modified retrospective approach. Under this approach comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings/ (accumulated losses) (refer note 1(g))

The consolidated statements above should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the 6 months ending 31 December	Notes	2019 US\$	2018 US\$
Cash flow from operating activities			
Receipts from customers		2,864	533,641
Payments to suppliers and employees		(1,696,068)	(4,258,063)
Interest received		11,798	2,672
Interest paid		(12,917)	-
Net cash used in operating activities		(1,694,323)	(3,721,750)
Cash flow from investing activities			
Receipt on sale of plant & equipment		500	-
Payment for plant & equipment		-	(2,281)
Payment for software development		-	(82,013)
Receipts from sub-leases (excl interest received)		47,882	-
Proceeds from sale of investment		200,000	-
Net cash used in investing activities		248,382	(84,294)
Proceeds from financing activities			
Proceeds from share issue		27,656	2,600,851
Cost of share issue		-	(171,657)
Proceeds from loan/convertible note funding		951,391	-
Payments of leases liabilities (excl interest paid)		(78,118)	-
Proceeds from Altor loans		-	352,900
Costs of Altor funding		-	(112,638)
Net cash provided by financing activities		900,929	2,669,456
Net increase (decrease) in cash held		(545,012)	(1,136,588)
Reconciliation of cash			
Cash at the beginning of the period		1,464,976	1,665,967
Net increase (decrease) in cash held		(545,012)	(1,136,588)
Foreign exchange difference on cash holding		3,621	(102,859)
Cash and cash equivalents at end of half year		923,585	426,520

The Group has initially applied AASB 16 at 1 July 2019 using the modified retrospective approach. Under this approach comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings/ (accumulated losses) (refer note 1(g))

The consolidated statements above should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

(a) Statement of Compliance

The half-year financial report is a general-purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

(b) Basis of Preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in United States dollars, unless otherwise noted.

(c) Significant Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period except for the impact of accounting policies, Standards & Interpretations as noted below.

(d) Ongoing Operations

These financial statements have been prepared on a 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.

At 31 December 2019 the Group had net liabilities of \$1,307,014 including \$923,585 of cash and cash equivalents and borrowings (net of costs) of \$2,056,412. For the six months ended 31 December 2019 the Group incurred an operating cash outflow of \$1,694,323 and a net loss for the period of \$1,730,731.

The Company will require further capital in the next 12 months in order to continue operations which currently involve the development of its business before it is cash flow positive. Nevertheless, the Directors have concluded that raising additional capital is subject to material uncertainty that may cast significant doubt over the Group's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Board will continue to pursue the development of fund raising opportunities and assess its commitment to ongoing expenditure requirements to achieve a sustainable business model.

The Directors believe that the Group will be successful in carrying out its plans described above, therefore, these financial statements have been prepared on a going concern basis.

No adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as going concerns.

(e) Comparatives

Where necessary to facilitate comparison, comparative figures have been adjusted to conform with changes in presentation in the current financial year.

(f) Adoption of new and revised Accounting Standards

The Group has adopted all new and amended Australian Accounting Standards and Australian Accounting Standards Review Board (AASB) interpretations that are mandatory for the current reporting period and relevant to the Group. Other than AASB 16 (refer note (g) Adoption of these standards and interpretations had not resulted in any material changes to the Group's half year financial report.

(g) Adjustment recognised on adoption of AASB 16

AASB 16 Leases supersedes AASB 117 Leases. AASB 16 introduces a single lessee accounting model and eliminates the classification between operating and finance leases. All leases are required to be accounted for "on balance sheet" by lessees, other than for short-term and low value asset leases. The standard also provides new guidance on the definition of a lease and on sale and leaseback accounting and requires new and different disclosures about leases.

The Group has adopted AASB 16 on 1 July 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings/(accumulated losses).

The Group's leasehold properties comprise two office leases which have previously been classified as operating leases. In addition, the Group has entered into a back-to-back property sublease for one of the office leases. Under this arrangement the cash flows substantially offset each other.

From 1 July 2019 the Group recognises a right-of-use asset (ROU) and a lease liability at the commencement date which is initially measured on a present value basis. For back-to-back leases, however, as the term of the sublease is for the whole of the remaining term of the head lease, the ROU is derecognised and a lease receivable is recognised for the lease payments receivable.

It should be noted that the office lease not subject to the back-to-back arrangement is a short term lease. As such, the Group has applied the exemption to not recognise the ROU asset and lease liability.

Lease liabilities / receivables recognised on implementation of AASB 16 as 1 July 2019:

As at 1 July 2019 (US\$)	Lease Receivable	Lease Liability
Current	148,621	140,716
Non-current	349,980	331,355
Total	498,601	472,071

The net impact of the implementation of US\$26,530 has been recognised directly in retained earnings/(accumulated losses).

During the half-year ended 31 December 2019, finance costs arising from lease payments amounted to US\$10,772 and interest revenue arising from lease receipts amounted to US\$11,378. In addition, the Group recognised rent expense of \$28,242 for short-term leases.

Reconciliation of operating lease commitments to lease liabilities at transition date

The following table reconciles the Group's operating lease commitments at 30 June 2019 to the lease liabilities recognised upon transition at 1 July 2019:

As at 1 July 2019	\$US
Operating lease commitments at 30 June 2019	422,264
Additional commitment due to lease extension	87,337
Impact of discounting	(37,530)
Lease liabilities at 1 July 2019	472,071

Practical expedients applied

In applying AASB 16 for the first time, the Group has applied the following practical expedients as permitted by the standard:

- Applied the exemption not to recognise right-of-use assets and lease liabilities for low value leases or leases with less than 12 months of lease term;
- Applied the use of a single discount rate to the portfolio of leases with similar characteristics. The rate applied was the Group's weighted average borrowing rate of 5%;
- Applied the use of hindsight in determining the lease term where the contract contains options to extend the lease; and
- Relied on previous assessments on whether leases are onerous.

Accounting for the Group's leasing activities

Group as lessee

Until the end of the 2019 financial year, leases of property were classified as 'operating leases'. Expenses incurred under operating leases were previously charged to the profit and loss on a straight-line basis.

From 1 July 2019, leases are now recognised 'on balance sheet' as a right-of-use asset with a corresponding lease liability. Each lease payment is allocated between the liability and finance cost. The right-of-use asset is depreciated over the lease term on a straight-line basis or over the useful life where title to the asset transfers at the end of the lease. Assets and liabilities arising from a lease are initially measured on a present value basis.

Depreciation on right-of-use assets and interest on lease liabilities is recognised in the Consolidated Statement of Profit and Loss and Other Comprehensive Income.

Payments associated with short term leases (generally less than 12 month terms) and leases of low value have continued to be recognised on a straight-line basis as an Other Expense in the Consolidated Statement of Profit and Loss and Other Comprehensive Income.

The principal portion of the lease payments are recognised as a financing cash flow and the interest portion of the lease payments are recognised as an operating cash flow in the Consolidated Statement of Cash Flows.

The Group uses critical judgements in determining the lease term. Extension options are only included in the lease term where management considers that it is probable that the option will be exercised.

Group as lessor

The Group has entered into back-to-back lease arrangements. Where the terms of the lease transfer substantially all the risks and rewards of ownership to the sublessee and/or the term of the sub-lease is for the whole of the remaining term of the head lease, these arrangements are classified as finance leases.

Amounts due from finance leases are recognised as a lease receivable at the amount of the Group's net investment in the leases. Finance lease income is allocated to the accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the lease.

2. Revenue and Other Income

6 months to 31 December	2019	2018
	US\$	US\$
<i>Revenue from contracts with customers</i>		
Revenue from services - over time	2,864	465,241
<i>Other revenue and income</i>		
Interest income - lease	11,378	-
Interest income - other	420	2,672
Gain on sale of investment in associate*	100,001	-
Research and development tax refund	-	39,600
Total Revenue and other income	114,663	507,513

* The Group received US\$200,000 proceeds from the disposal of its investment in IvyKoin LLC and Ivy Blockchain Pty Ltd. The investments carrying value was \$99,999.

3. Finance Costs

6 months to 31 December	2019	2018
	US\$	US\$
Interest expenses - lease	10,772	-
Interest expenses - Other	80,122	-
Amortisation of borrowing costs	39,630	-
	130,524	-

4. Borrowings

	As at 31 Dec 2019 US\$	As at 30 Jun 2019 US\$
Convertible notes – Altor Notes - Secured	1,510,174	-
Convertible notes – November Notes - Unsecured	782,744	-
Loan from Altor Capital	-	1,283,532
Less: funding costs	(236,506)	(233,085)
Total Current borrowings	2,056,412	1,050,447

The loan from Altor Capital (an entity related to the director Harley Dalton) as at 30 June 2019 was a drawdown of under a term loan facility of A\$2,000,000 (**Loan**). This loan facility was replaced by an issue of convertible notes (**Notes**) that was approved by shareholders at an Extraordinary General Meeting (EGM) on 12 February 2019. The notes were issued on 29 August 2019.

The Convertible Notes issued under Tranche 1 of the Altor Funding (**Altor Notes**) were issued at a face value of A\$0.10 with a maturity of 36 months from the date of the first issue. The loan and subsequently issued Notes are secured by a first ranking security over the Group's assets. The Notes have conversion price of the lesser of A\$0.10 or 75% of the 10-day VWAP of the Company's shares prior to conversion. A coupon of 10% per annum will be paid quarterly in arrears. The Company can elect to pay interest by way of cash or additional Notes. On maturity, the Notes convert to shares.

The Convertible Notes issued in November 2019 (**November Notes**) were issued at a face value of A\$0.10 with a maturity of 36 months from the date of the first issue. The Notes are unsecured. The November Notes have conversion price of the lesser A\$0.10 or 75% of the 10-day VWAP of the Company's shares prior to conversion. A coupon of 12% per annum will be paid quarterly in arrears. The Company can elect to pay interest by way of cash or additional Notes. On maturity of the Notes convert to shares.

At election of the holder, the Notes may be converted before maturity, subject to certain restrictions. The Notes may also be redeemed prior to maturity at the request of the Company, subject to the agreement of the holder. The redemption price includes 130% of the interest payable for the remainder of the term.

Included in funding costs as at 31 December 2019 are additional fees payable to Altor of US\$44,506 relating to the November Notes.

5. Issued capital

Share Capital

	As at 31 December 2019 US\$	As at 30 June 2019 US\$
96,807,174 fully paid ordinary shares ¹ (30 June 2019 92,807,174)	29,610,155	29,582,499

¹ This amount excludes 6,036,457 shares issued under the Loan Funded Share Plan (LFSP). These shares will be recognised in Share Capital when the loan advanced under the LFSP to acquire those shares is repaid. Total fully paid shares on issue at 31 December is 102,843,631.

Details of the movement in share capital is set out as follows:

	Number of Shares #	Value US\$
Opening balance as at 30 June 2019	92,807,174	29,582,499
Options exercised	4,000,000	27,656
Balance as at 31 December 2019	96,807,174	29,610,155

In November and December 2019 4,000,000 options were exercised with an exercise price of A\$0.01.

	Number of Shares #	Value US\$
Opening balance as at 30 June 2018	73,564,879	26,607,205
Share placement on 3 July 2018	6,034,383	2,600,851
Share placement fees	-	(171,657)
Balance at 31 December 2018	79,599,262	29,036,399

Options

On 28 October 2019, as part of the Group's CEO remuneration package, 3.5m options over ordinary shares of the company were issued. The options comprise four Tranches with the following terms –

- 500,000 options with an exercise price of \$0.001, vesting on the first anniversary of employment
- 1,000,000 options with an exercise price of \$0.020, vesting on the first anniversary of employment
- 1,000,000 options with an exercise price of \$0.026, vesting after 10 customers have been on-boarded
- 1,000,000 options with an exercise price of \$0.032, vesting at the point of operational cashflow breakeven

All options expire on 28 October 2022.

The options have been valued using an option pricing model and are to be expensed over the expected vesting period. For the period ended 31 December 2019 an expense of US\$19,958 has been recognised in relation to these options.

6. Reserves

	As at 31 Dec 2019 US\$	As at 30 Jun 2019 US\$
Share based payment reserve	3,975,189	3,925,361
Foreign currency translation reserve	34,753	17,379
Total reserves	4,009,942	3,942,740

7. Earnings per share

6 months to 31 December	2019 US\$	2018 US\$
Loss attributable to ordinary equity holders of Change Financial Limited	(1,730,731)	(4,275,612)
Weighted average number of ordinary shares used as a denominator in calculating basic and diluted earnings per share	94,243,587	79,533,773

8. Events occurring after the reporting period


There were no events occurring after balance other than those set out in this financial report.

DIRECTORS DECLARATION

In the opinion of the directors:

- (a) the financial statements and notes set out on pages 9 to 20 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards AASB 134 “Interim Financial Reporting” and the *Corporations Regulations 2001*; and
 - (ii) giving a true and fair view of the group’s financial position as at 31 December 2019 and of its performance for the half year ended on that date; and
- (b) there are reasonable grounds to believe that the group will be able to pay its debts as and when they become due and payable; and

This declaration is made in accordance with a resolution of the directors.



Ben Harrison
Director
28 February 2020

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF CHANGE FINANCIAL LIMITED*****Report on the Half-Year Financial Report***

We have reviewed the accompanying half-year financial report of Change Financial Limited (the Company) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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 gives a true and fair view and 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 Group's financial position as at 31 December 2019 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 Change Financial 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 Change Financial 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 Change Financial Limited is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(d) in the financial report which states that the Group had, as at 31 December 2019, a net liability position of \$1,307,014 and its ability to develop its processor business is dependent on the Group's ability to raise further funding. The matters set forth in Note 1(d) indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Pitcher Partners

PITCHER PARTNERS



DAN COLWELL
PARTNER

Brisbane, Queensland

28 February 2020