



ASX Announcement

31 August 2020

Full Year Results – year ended 30 June 2020

Highlights

- Successful oversubscribed IPO in April 2020 raising \$30m
- FY20 revenue of \$5.4m, 10x FY19 revenue
- Major improvement in gross profit margin to 60% (FY19 18%)
- Underlying EBITDA loss of \$2.4m, significantly improved from FY19 loss of \$4.1m
- Cash of \$27.1m and no debt

SYDNEY Australia Monday, 31 August 2020 – Australia’s rapid blood test company Atomo Diagnostics (ASX: AT1) (**Atomo / Company**) announced its Appendix 4E Preliminary Final Report and Annual Financial Report.

FY20 was a transformational year for Atomo, with a successful IPO and listing on the Australian Securities Exchange, entering into several material commercial customer agreements and accelerated growth in the Company’s revenues.

Revenue growth was underpinned by Atomo’s core HIV and OEM businesses, as well as a significant boost from the Company’s rapid response to international demand from customers for COVID-19 point-of-care antibody test devices.

Debt was fully repaid shortly after the IPO and the Company moves into FY21 with \$27.1m of cash, strong demand for its unique innovative products and further growth opportunities in the pipeline. Additional information in relation to the results and the FY21 outlook is contained in the Investor Presentation released concurrently to the market today, 31 August 2020.

Atomo’s Managing Director, John Kelly, commented “We are extremely pleased to have successfully listed on the ASX earlier in the year and to now report our inaugural full year results to market. The organic growth in the business is hugely encouraging and we remain focused on continuing to scale up our production capacity to ensure that we can continue to meet the demand from existing contracts and bring new pipeline opportunities to market.”

An online briefing will be held on at **2.15pm Sydney time** (AEST), today Monday, 31 August. During the briefing, Managing Director and CEO, John Kelly and CFO, Will Souter will present an activity update. This will be followed by a Q+A session.

Participants can pre-register for the call via the following link:

https://us02web.zoom.us/webinar/register/WN_gclji3zpTQutX3-5031QcA

For more information, please contact:

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Atomo Diagnostics Limited
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This announcement was authorised by the Board of Directors.



Year Ended 30 June 2020

Appendix 4E Preliminary Final Report

and

Annual Financial Report

Atomo Diagnostics Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Atomo Diagnostics Limited
ABN:	37 142 925 684
Reporting period:	For the year ended 30 June 2020
Previous period:	For the year ended 30 June 2019

2. Results for announcement to the market

			AUD
Revenues from ordinary activities	up	895% to	5,368,698
Loss from ordinary activities after tax attributable to the owners of Atomo Diagnostics Limited	up	82% to	(9,218,105)
Loss for the year attributable to the owners of Atomo Diagnostics Limited	up	89% to	(9,613,954)

Dividends

No dividends were paid or proposed during the year ended 30 June 2020 (2019: Nil).

Comments

Refer to the 'Operating and Financial Review' within the Directors' Report of the Annual Financial Statements for further commentary on the year's results, financial position and likely developments in future years.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>6.15</u>	<u>(1.88)</u>

The net tangible assets / (liabilities) per ordinary security is calculated based on 561,077,807 ordinary shares on issue as at 30 June 2020, and 291,138,760 shares that were on issue as at 30 June 2019 (post-share split).

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Details of associates and joint venture entities

Not applicable.

7. Audit qualification or review

The financial statements have been audited and an unqualified opinion has been issued.

8. Attachments

The Annual Financial Report of Atomo Diagnostics Limited for the year ended 30 June 2020 is attached.

9. Signed

Signed  _____

Date: 31 August 2020

John Keith
Chairman
Sydney

Atomo Diagnostics Limited

ABN 37 142 925 684

Annual Financial Report – 30 June 2020

Atomo Diagnostics Limited
Corporate directory
30 June 2020

Directors	John Keith (Chairman & Independent Non-Executive Director) John Kelly (Managing Director) Curt LaBelle (Non-Executive Director) Paul Kasian (Non-Executive Director) Connie Carnabuci (Non-Executive Director)
Company secretary	Gillian Nairn
Registered office	Level 2 701 – 703 Parramatta Road Leichhardt NSW 2040
Principal place of business	Level 2 701 – 703 Parramatta Road Leichhardt NSW 2040
Share register	Link Market Services Limited Level 12 680 George Street Sydney NSW 2000
Auditor	BDO Audit Pty Ltd Level 11, 1 Margaret Street Sydney NSW 2000
Solicitors	HWL Ebsworth Lawyers Level 14, Australia Square 264 – 278 George Street Sydney NSW 2000
Stock exchange listing	Atomo Diagnostics Limited shares are listed on the Australian Securities Exchange (ASX code: AT1)
Website	www.atomodiagnosics.com

Atomo Diagnostics Limited
Directors' report
30 June 2020

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Atomo Diagnostics Limited (referred to hereafter as the 'Company' or 'Parent Entity') and the entities it controlled at the end of, or during, the year ended 30 June 2020.

All amounts are presented in Australian dollars (AUD) unless otherwise stated.

Directors

The directors of Atomo Diagnostics Limited at any time during or since the end of the financial year are:

Director	Appointed	Resigned
John Perry Keith (Chairman)	2 December 2011	n/a
John Michael Kelly (Chief Executive Officer)	1 April 2010	n/a
George Alexander Sidis	1 April 2010	3 February 2020
Curt Harold LaBelle	21 October 2016	n/a
Doris-Ann Williams	6 April 2017	22 January 2020
Connie Bernadette Carnabuci	4 February 2020	n/a
Paul Alexander Kasian	4 February 2020	n/a

The Company Secretary is Gillian Maria Nairn who was appointed on 4 February 2020. Robert Joseph Snoch was Company Secretary from 8 December 2016 until 4 February 2020.

Operating & Financial Review

Principal Activities

The principal activities of the Group during the course of the year were the development and sale of medical devices.

There were no significant changes in the nature of the activities of the Group during the year.

Atomo Diagnostics Limited
Directors' report
30 June 2020

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$9,218,105 (30 June 2019: loss of \$5,055,112).

Revenue increased by 895% for the year, from \$0.54 million in 2019 to \$5.37 million in 2020. This growth in revenue was driven by:

- the acceleration of registrations and in-country rollout of HIV products by the Group's HIV products distribution partners;
- the launch in Europe of customer RDT products that utilise the Group's Pascal device; and
- significant customer demand for the Group's COVID-19 point of care antibody testing devices.

During the year, the Group incurred significant one-off expenses relating the Company's Initial Public Offering on the ASX and the bringing to account cash and non-cash finance costs as described further below.

Finance costs during the year amounting to \$5.29 million comprised the following:

- \$0.45 million plus \$0.76 million (totalling \$1.21 million) relating to actual cash interest payable on the GHIF loan and converting note;
- \$3.25 million relating to (i) effective interest rate adjustments predominantly on the converting note and GHIF loan (\$7.06 million) and (ii) fair value adjustments totalling \$3.80 million (income) in relation to the warrants attached to the GHIF loan, and the embedded derivative on the converting note; and
- \$0.83 million in costs associated with the raising of the converting note.

Cash and cash equivalents as at 30 June 2020 amounted to \$27.1 million compared to \$1.9 million as at 30 June 2019. The significant increase in cash and cash equivalents during the year is attributable to the proceeds received by the Company via the issue of converting notes during the year and upon its Initial Public Offering, net of associated costs and working capital used during the year.

Significant changes in the state of affairs

- During the months of October and November 2019, the Company raised \$16.05 million through the issue of non-redeemable converting notes. These notes were interest bearing and convertible at the earlier of the occurrence of a significant equity raising transaction, or twelve (12) months from the date of issue. Of the \$16.05 million, a non-cash portion amounting to \$1.76 million was issued to Global Health Investment Fund LLC ("GHIF") in satisfaction of the first repayment of their loan (as described in Note 13). All of the converting notes were converted into 100,302,363 ordinary shares in the Company as part of the Initial Public Offering ("IPO") described below.
- On 19 December 2019, the shareholders of the Company approved a 1:8 split of the Company's share capital.
- On 19 December 2019, the shareholders of the Company approved the conversion of all Ord+ shares into ordinary shares on a 1:1 basis, effective at the time that the company became a public company.
- On 21 February 2020, the Company changed from being a proprietary company with the name Atomo Diagnostics Pty Limited, to being a public company with the name Atomo Diagnostics Limited. The Company also adopted a new constitution suitable for a public ASX listed company pursuant to shareholder approval obtained at a general meeting held on 19 December 2019.
- Prior to the IPO (details below), holders of 18,049,440 options (on a post-share split basis) had accepted an early exercise offer presented by the Company, resulting in the issue of 8,768,491 ordinary shares.
- On 28 February 2020, GHIF exercised 21,818,184 warrants (post-share split basis) on a cashless basis resulting in the issue of 10,868,183 ordinary shares.

Atomo Diagnostics Limited
Directors' report
30 June 2020

- On 14 April 2020, the Company was admitted to the Official List of the Australian Securities Exchange (“ASX”) after completing an IPO raising \$30 million via the issue of 150,000,010 ordinary shares at an issue price of \$0.20. The Company’s shares commenced trading on the ASX on 16 April 2020.
- Concurrently with the IPO, 47,838,768 B Class shares were converted into ordinary shares on a 1:1 basis pursuant to approval by shareholders on 19 December 2019.
- On 14 April 2020, 6,800,000 options were issued to the Company’s Managing Director (John Kelly) and three (3) other key management personnel. These options are exercisable at \$0.25 within 36 months from their vesting date. These options vest in three equal tranches in 12 month, 24 months and 36 month respectively, subject to satisfaction of vesting conditions relating to KPIs. A further 1,600,000 options were issued to ID&E Pty Limited on the same terms as those noted above.
- On 21 April 2020, the Group repaid in full its debt to GHIF. As a result, the Company had no debt as at 30 June 2020.

In the opinion of the Directors, there were no other significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Group’s operations, the results of those operations, or the consolidated entity’s state of affairs in future financial years.

Impacts of Covid-19

Atomo has traded successfully throughout the COVID-19 pandemic and in fact has seen performance improve as a direct result. During the initial phases of the COVID-19 epidemic, business of the Group was temporarily negatively impacted as global health refocused resources to respond to COVID-19 and supply chains were interrupted. Thereafter, as the Group’s supply chain quickly returned to normal and as customers began to address the COVID-19 situation, there was a significant improvement in the Group’s financial and trading position as revenue increased driven by demand from customers seeking to use Atomo devices in their products to test for antibodies produced in response to exposure to COVID-19.

Likely developments and expected results of operations

As Atomo moves into FY21, the focus will be on continuing to meet increasing demand created by the ongoing COVID-19 pandemic, as well as continuing to progress activities in the following key areas:

- scale-up and ongoing roll-out of business in the HIV self-test market;
- expansion of sales of OEM products to existing and new OEM customers; and
- developing and expanding new Atomo rapid test products and entry into new point of care test markets.

In order to support these activities, the Company will continue to invest in ongoing research and development and the expansion of its manufacturing capacity.

Environmental regulation

The Group’s operations are not subject to any significant environmental regulation under both Australian Commonwealth or State law. The Board believes that the Group has adequate systems in place for the management of its environmental requirements.

Atomo Diagnostics Limited
Directors' report
30 June 2020

Information on directors

Name:	John Keith
Title:	Independent Non-Executive Chairman
Experience and expertise:	<p>John Keith has served as the Non-Executive Director of Atomo since November 2011 and became Chairman in 2014.</p> <p>Mr Keith is a Managing Director of BNP Paribas, establishing and leading its financial institutions coverage team. Prior to joining BNP Paribas in 2011, Mr Keith held country management and senior business and coverage positions for Nomura Securities in Sydney and Hong Kong. His career comprises working with supranational, sovereign and institutional clients across all areas of investment and institutional banking. He has also served on the boards of ASIA Limited, Calliva Limited, Room to Read Australia Foundation and Ascham Foundation.</p> <p>Mr Keith holds a Bachelor of Arts (Hons) majoring in Economic History from the Victoria University of Wellington, a Master of Applied Finance from Macquarie University and a Global Executive MBA from the University of Sydney.</p>
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Member of the Audit and Risk Committee and Member of the Nomination and Remuneration Committee
Interests in shares:	3,261,056
Interests in options:	3,600,000
Contractual rights to shares:	Nil

Name:	John Kelly
Title:	Managing Director and CEO
Experience and expertise:	<p>John Kelly is the Managing Director and CEO of Atomo.</p> <p>For more than 20 years Mr Kelly has focused on developing and commercialising medical devices to enhance usability and performance, having started with CR Bard in Europe developing Class III implantable cardiology products.</p> <p>Prior to co-founding Atomo in 2010, Mr Kelly acted as the Chief Operating Officer (COO) of Unilife Corporation, which was previously an ASX-listed company (ASX:UNS) and subsequent to his departure, a Nasdaq listed company (NASDAQ:UNIS). At Unilife Corporation, he led the global operations team from 2005 to 2008, developing 'Unifill', the world's first glass prefilled drug delivery device with integrated auto retract safety feature, and this technology was successfully licensed to Sanofi Aventis for US\$47 million. Prior to joining Unilife in 2005, Mr Kelly spent five years at ResMed where he led the New Product Implementation Group and managed the development of the ground-breaking Mirage Swift and Activa mask systems.</p> <p>Mr Kelly holds an Honours degree in Mechanical Engineering from the University of Liverpool, a Master's degree in Manufacturing Systems Engineering from Queen's University Belfast, and an Executive MBA from the University of Sydney, where he was awarded the Business School's inaugural 'Excellence in Leadership' scholarship.</p>
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Nil
Interests in shares:	73,530,248
Interests in options:	2,000,000
Contractual rights to shares:	Nil

Atomo Diagnostics Limited
Directors' report
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Name: **Curt LaBelle**

Title: Non-Executive Director

Experience and expertise: Curt LaBelle has served as a Non-Executive Director of Atomo since October 2016. Dr LaBelle has been actively involved in the healthcare industry for 20 years, both operationally and as an investor. Dr LaBelle is President at the Global Health Investment Fund (GHIF), a social impact investment fund, which manages approximately US\$108 million backed by the Gates Foundation, JP Morgan and others. He also serves as a director on the boards of Alydia Health, Evenovia and Atticus Medical.

Prior to joining GHIF, Dr LaBelle was Managing Director at Tullis Health Investors and Vice President at Investor Growth Capital. He is a former chairman of Impulse Monitoring (acquired by Nuvasive), Exagen Inc. (NASDAQ:XGN) and a former director of Sirion Therapeutics (products acquired by Alcon and Bausch), SafeOp Surgical (acquired by AlphaTec) and KAI Pharmaceuticals (acquired by Amgen).

As Dr Labelle is President at GHIF, a substantial shareholder of Atomo, Dr LaBelle is not considered to be an independent Director.

Dr LaBelle holds a Bachelor of Economics from Brigham Young University, and both MD and MBA degrees from Columbia University.

Other current directorships: Director of Eyenovia Inc. (NASDAQ:EYEN)

Former directorships (last 3 years): Former chairman of Exagen Inc. (NASDAQ: XGN)

Special responsibilities: Member of the Audit and Risk Committee

Interests in shares: 63,851,280

Interests in options: 3,600,000

Contractual rights to shares: Nil

Name: **Paul Kasian**

Title: Independent Non-Executive Director

Experience and expertise: Dr Kasian is an experienced executive director with demonstrated success in both domestic and international companies encompassing senior leadership, strategy, investment and risk roles.

His other roles have included Chief Investment Officer and Head of Global Financials at HSBC Asset Management, Founding Director of Accordius and Founding Director of Wallara Asset Management.

He holds a PhD in Microbiology and a Master of Business Administration, both from the University of Melbourne, and is a Graduate Member of the Australian Institute of Company Directors.

Other current directorships: Dr Kasian is currently Non-Executive director (appointed 31 August 2016) and Chairman (appointed 15 September 2018) of IODM Limited (ASX: IOD). He is also Non-Executive director (appointed 16 October 2019) of Eco Systems Ltd (ASX:ESL).

Former directorships (last 3 years): Previously he served as a Non-Executive Director, then Chairman and CEO of Genetic Technologies Limited (appointed 12 December 2013 and resigned 23 September 2019).

Special responsibilities: Chair of the Audit and Risk Committee

Interests in shares: 100,000

Interests in options: Nil

Contractual rights to shares: Nil

Atomo Diagnostics Limited
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Name:	Connie Carnabuci
Title:	Independent Non-Executive Director
Experience and expertise:	<p>Connie Carnabuci has over 30 years' experience advising intellectual property and technology intensive businesses in Australia and across Asia on commercial, corporate and regulatory matters.</p> <p>She has been internationally recognised as a leading lawyer in her field by a number of independent commentators, including Euromoney (Leading Woman in Business Law, Patents & Technology).</p> <p>Ms Carnabuci holds an executive role as the General Counsel of the Australian Broadcasting Corporation. She is a professional Non-Executive Director and currently serves on the Board and the Remuneration Committee of OFX. Ms Carnabuci is a former partner of Mallesons Stephen Jacques and Freshfields Bruckhaus Deringer. She is a member of the Business Advisory Council of the UNSW Business School. She serves as the Vice President of the Cranbrook School Parents Association. She was the Chair of the NFP, Kids Giving Back, from 2015 to 2018.</p> <p>Ms Carnabuci is a graduate of UNSW (B.Commerce (Marketing), with merit/LLB, 1986) and the Australian Institute of Company Directors.</p>
Other current directorships:	Connie Carnabuci currently serves as a Non-Executive Director on the Board, and the Remuneration Committee of OFX Group Limited (ASX:OFX)
Former directorships (last 3 years):	None
Special responsibilities:	Chair of the Nomination and Remuneration Committee
Interests in shares:	75,000
Interests in options:	Nil
Contractual rights to shares:	Nil

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Gillian Nairn has over 20 years legal and governance experience in various listed and public companies, as well as in private practice.

Ms Nairn is an employee of Company Matters Pty Ltd, a company secretarial service provider. Prior to joining Company Matters, Ms Nairn held various company secretarial roles, predominantly with listed entities, in a variety of sectors including manufacturing, oil and gas, professional services and education.

Ms Nairn holds a Bachelor of Laws and Bachelor of Arts from UNSW and a Graduate Diploma in Applied Corporate Governance. She is a Fellow of the Governance Institute of Australia and holds a current NSW legal practising certificate.

Ms Nairn was appointed as Company Secretary on 4 February 2020.

Atomo Diagnostics Limited
Directors' report
30 June 2020

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2020, and the number of meetings attended by each director were:

	Full board		Audit & Risk Committee		Nomination and Remuneration Committee	
	Held [^]	Attended	Held [^]	Attended	Held [^]	Attended
John Keith	11	11	1	1	1	1
John Kelly	11	11	-	1	-	1
Curt LaBelle	11	11	1	1	-	-
Connie Carnabuci	9	9	-	-	1	1
Paul Kasian	9	9	1	1	1	1
George Sidis ^{^^}	2	2	-	-	-	-
Doris-Ann Williams ^{^^^}	2	2	-	-	-	-

[^] Represents the number of meetings held to which the director was required to attend as a member of the relevant committee.

^{^^} Resigned on 3 February 2020

^{^^^} Resigned on 22 January 2020

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

Atomo's Board of Directors ("the Board") has reserved to itself responsibility for approving the Company's remuneration policies and satisfying itself that remuneration policies are aligned with the Group's purpose, values, strategic objectives and risk appetite. The Board has also reserved to itself the appointment and removal of the Managing Director and the Company Secretary and determination of their remuneration and conditions of service, including any financial incentives.

To assist the Board in fulfilling its responsibilities in respect of remuneration related matters, shortly prior to listing, the Board established a Nomination and Remuneration Committee ("NRC"). The Board delegated the following remuneration related matters to the NRC:

- (i) set the fees and salaries paid to both executive and Non-Executive Directors;
- (ii) make recommendations to the Board regarding the remuneration of the Managing Director and direct reports to the Managing Director;
- (iii) obtain independent, market-based remuneration benchmarks on an annual basis to ensure competitive levels of benefit;
- (iv) make recommendations to the Board regarding the design of all executive incentive plans;
- (v) ensure that the recommended remuneration of the Managing Director and direct reports to the Managing Director comprises a suitable balance between fixed and incentive pay, reflecting short and long-term objectives relevant to Atomo's scale, performance and business objectives;
- (vi) adopt and implement policies and practice regarding the deferral of performance-based remuneration; and
- (vii) make recommendations to the Board regarding performance management policies and procedures, consistent with incentive-based remuneration practices and designed by reference to specified performance targets, for the Managing Director and direct reports to the Managing Director.

A copy of the NRC's Charter is available on Atomo's website.

Atomo Diagnostics Limited
Directors' report
30 June 2020

Non-Executive Directors remuneration

Each of the Non-Executive Directors has entered into appointment letters with Atomo confirming the terms of their appointment and their roles and responsibilities. A Non-Executive Director may terminate their directorship at any time by advising the Board in writing. The appointment letters are otherwise on standard commercial terms.

The Chair, John Keith, receives \$130,000 and each Non-Executive Director receives \$50,000.

Each Chair of a Board Committee will receive an additional amount of \$20,000 per annum. The Chairs of the Board Committees are Paul Kasian (Audit and Risk Committee) and Connie Carnabuci (Nomination and Remuneration Committee).

Directors may also be reimbursed for expenses properly incurred by them in dealing with the Company's business or in carrying out their duties as a Director.

Under the Constitution, the Board decides the total amount paid to each Non-Executive Director as remuneration for their services as a Director. However, under the ASX Listing Rules, the total amount of fees paid to all Directors for their services (excluding, for these purposes, the salary of any Executive Director) must not exceed in aggregate in any financial year the amount fixed by the Company's shareholders in general meeting. This amount has been fixed initially in the Company's Constitution at \$500,000 per annum in aggregate and may be varied by ordinary resolution in a general meeting.

Executive remuneration

The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits;
- short-term performance incentives;
- share-based payments; and
- other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, is reviewed annually by the Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific targets and key performance indicators ('KPI's') being achieved. None of the executives received any short term incentives during the 2020 financial year with the exception of the Managing Director who received short term cash incentives of \$209,384 which was payable upon meeting certain performance criteria and Atomo's admission to the official list of the Australian Securities Exchange.

The long-term incentives ('LTI') include long service leave and share-based payments. Upon Atomo's admission to ASX, Atomo increased the fixed remuneration of its executives to align their remuneration with the market, and granted each of the executives an allocation of options under Atomo's Employee Share Option Plan (ESOP). Further details can be found under the heading "Share-based compensation" below.

Atomo Diagnostics Limited
Directors' report
30 June 2020

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables. Where individuals were key management personnel for only part of the year, only remuneration relating to that period is included in the tables below.

The key management personnel of the consolidated entity consisted of the following directors of Atomo Diagnostics Limited:

- John Keith – Independent Non-Executive Chairman
- John Kelly – Founder and Managing Director
- Curt LaBelle – Non-Executive Director
- Paul Kasian – Independent Non-Executive Director
- Connie Carnabuci – Independent Non-Executive Director
- George Sidis – Non-Executive Director (resigned 3 February 2020)
- Doris-Ann Williams – Non-Executive Director (resigned 22 January 2020)

And the following executives:

- William Souter – Chief Financial Officer
- Mark Smith – Chief Operating Officer
- Fabio Baglioni – Chief Commercial Officer

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled shares	Equity-settled options	
2020	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>								
John Keith	32,500	-	-	-	-	-	21,772	54,272
Curt LaBelle *	12,500	-	-	-	-	-	19,450	31,950
Paul Kasian	15,982	-	-	1,518	-	-	-	17,500
Connie Carnabuci	17,500	-	-	-	-	-	-	17,500
George Sidis **	-	-	-	-	-	-	3,023	3,023
Doris-Ann Williams	-	-	-	-	-	-	9,821	9,821
<i>Executive Directors:</i>								
John Kelly	298,083	209,384	-	46,101	24,955	-	32,422	610,945
<i>Other Key Management Personnel:</i>								
William Souter	94,651	-	-	8,309	1,401	-	25,938	130,299
Mark Smith	208,924	-	-	-	-	-	25,938	234,862
Fabio Baglioni	91,565	-	-	-	-	-	25,938	117,503
Totals	771,705	209,384	-	55,928	26,356	-	164,302	1,227,675

* Amounts included under "Equity-settled options" include amounts paid to GHIF, of which Curt LaBelle is President.

** Amounts included under "Equity-settled options" include amounts paid to ID&E Pty Ltd, which is controlled by George Sidis.

Atomo Diagnostics Limited
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30 June 2020

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled shares	Equity-settled options	
2019	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>								
John Keith	-	-	-	-	-	-	51,698	51,698
Curt LaBelle *	-	-	-	-	-	-	43,536	43,536
Paul Kasian	-	-	-	-	-	-	-	-
Connie Carnabuci	-	-	-	-	-	-	-	-
George Sidis **	-	-	-	-	-	-	10,124	10,124
Doris-Ann Williams	-	-	-	-	-	-	38,954	38,954
<i>Executive Directors:</i>								
John Kelly	248,091	40,000	-	26,600	4,000	-	-	318,691
<i>Other Key Management Personnel:</i>								
William Souter	-	-	-	-	-	-	-	-
Mark Smith	4,605	-	-	-	-	-	-	4,605
Fabio Baglioni	-	-	-	-	-	-	-	-
Totals	252,696	40,000	-	26,600	4,000	-	144,312	467,608

* Amounts included under "Equity-settled options" include amounts paid to GHIF, of which Curt LaBelle is President.

** Amounts included under "Equity-settled options" include amounts paid to ID&E Pty Ltd, which is controlled by George Sidis.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2020	2019	2020	2019	2020	2019
<i>Non-Executive Directors:</i>						
John Keith	100%	100%	-	-	-	-
Curt LaBelle	100%	100%	-	-	-	-
Paul Kasian	100%	n/a	-	-	-	-
Connie Carnabuci	100%	n/a	-	-	-	-
George Sidis	100%	100%	-	-	-	-
Doris-Ann Williams	100%	100%	-	-	-	-
<i>Executive Directors:</i>						
John Kelly	59%	87%	35%	13%	6%	-
<i>Other Key Management Personnel:</i>						
William Souter	79%	n/a	-	n/a	21%	n/a
Mark Smith	89%	100%	-	-	11%	-
Fabio Baglioni	78%	n/a	-	n/a	22%	n/a

Atomo Diagnostics Limited
Directors' report
30 June 2020

Cash bonuses are dependent on meeting defined performance measures. The maximum bonus values are established at the start of each financial year and amounts payable to KMPs are determined by the Board in consultation with the Nomination and Remuneration Committee.

The proportion of the cash bonus paid/payable or forfeited is as follows:

Name	Cash bonus paid/payable		Cash bonus forfeited	
	2020	2019	2020	2019
<i>Non-Executive Directors:</i>				
John Keith	-	-	-	-
Curt LaBelle	-	-	-	-
Paul Kasian	-	-	-	-
Connie Carnabuci	-	-	-	-
George Sidis	-	-	-	-
Doris-Ann Williams	-	-	-	-
<i>Executive Directors:</i>				
John Kelly	100%	100%	-	-
<i>Other Key Management Personnel:</i>				
William Souter	-	-	-	-
Mark Smith	-	-	-	-
Fabio Baglioni	-	-	-	-

Service agreements

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

Name:	John Kelly
Title:	Managing Director.
Agreement commenced:	1 October 2011
Term of agreement:	Not specified.
Details:	<p>Annual salary of \$420,000 commencing from 1 April 2020 (including superannuation) plus a cash bonus of up to 20% of base salary (subject to the satisfaction of performance criteria), to be reviewed annually by the Nomination and Remuneration Committee.</p> <p>John Kelly is entitled to participate in the Company's share and option plans. During the year, the Company granted 2,000,000 of options. Please refer to the section titled "Share-based compensation" for further details.</p> <p>Ten (10) week termination notice by either party however this notice period does not apply if the employment is terminated for serious and wilful misconduct or any conduct by John Kelly that amounts to fraud, theft, violence, harassment, gross negligence or any other action that may otherwise bring the Company into disrepute.</p>

Atomo Diagnostics Limited
Directors' report
30 June 2020

Name: **William Souter**
Title: Chief Financial Officer.
Agreement commenced: 10 March 2020
Term of agreement: Not specified.
Details: Annual salary of \$300,000 commencing from 1 April 2020 (including superannuation) plus a cash bonus of up to 20% of base salary (subject to the satisfaction of performance criteria), to be reviewed annually by the Nomination and Remuneration Committee.
William Souter is entitled to participate in the Company's share and option plans. During the year, the Company granted 1,600,000 of options. Please refer to the section titled "Share-based compensation" for further details.
Ten (10) week termination notice by either party however this notice period does not apply if the employment is terminated for serious and wilful misconduct or any conduct by William Souter that amounts to fraud, theft, violence, harassment, gross negligence or any other action that may otherwise bring the Company into disrepute.

Name: **Mark Smith**
Title: Chief Operating Officer.
Agreement commenced: 1 October 2019
Term of agreement: Not specified.
Details: Annual salary of GBP 150,000 commencing from 1 April 2020 plus a cash bonus of up to 20% of base salary (subject to the satisfaction of performance criteria), to be reviewed annually by the Nomination and Remuneration Committee.
Mark Smith is entitled to participate in the Company's share and option plans. During the year, the Company granted 1,600,000 of options. Please refer to the section titled "Share-based compensation" for further details.
The agreement will terminate automatically without further action if the parties mutually agree to terminate the agreement. Additionally, either party may terminate the agreement:
a. by providing eight (8) weeks' notice; or
b. by providing written notice, if the other party has breached the agreement and either the breach is not capable of rectification or the other party had not complied with a notice to perform or rectify the breach.

Name: **Fabio Baglioni**
Title: Chief Commercial Officer
Agreement commenced: 17 February 2020
Term of agreement: Not specified.
Details: Annual salary of kr 1,320,000 commencing from 17 February 2020 plus a cash bonus of up to 20% of base salary (subject to the satisfaction of performance criteria) to be reviewed annually by the Nomination and Remuneration Committee / Company. In addition, the Company will also pay the COO's occupational pension to Collectum under the terms of the benefit of ITP1.
Fabio Baglioni is entitled to participate in the Company's share and option plans. During the year, the Company granted 1,600,000 of options. Please refer to the section titled "Share-based compensation" for further details.
Eight (8) week termination notice by either party however this notice period does not apply if the employment is terminated for serious and wilful misconduct or any conduct by Fabio Baglioni that amounts to fraud, theft, violence, harassment, gross negligence or any other action that may otherwise bring the Company into disrepute.

Share-based compensation

Share plan details

Prior to being listed on the ASX, the Company established a tax exempt employee share plan (“**Tax Exempt Plan**”). Under the Tax Exempt Plan, the Company may offer an eligible person restricted shares in the Company which are subject to a three year holding lock while the person remains employed by the Company. Offers of restricted shares under the Tax Exempt Plan not exceeding a total value of A\$1,000 or such other amount as permitted under Subdivision 83A-B of the Tax Act may be reduced from the assessable income of that eligible person for the income year in which the eligible person acquires those restricted shares. The objective of the Tax Exempt Plan is to align the interests of eligible Atomo employees and contractors with shareholders through the sharing of a personal interest in the future growth and development of the Company and to provide a means of attracting and retaining skilled and experienced eligible persons.

As at the date of this report, no grants of shares have been made under the Tax Exempt Plan.

Option plan details

1. Pre-IPO option plan details

In prior financial years, the Company issued options to employees, directors and key stakeholders to align the interests of those parties through the sharing of a personal interest in the future growth and development of the Company and to provide a means of attracting and retaining skilled and experienced eligible persons.

As at the date of this report, the Company had the following options outstanding under the pre-IPO option plans:

Expiry Date	Exercise price	Number of options
14 April 2022	\$0.03	2,293,184
24 November 2020	\$0.16	5,000,000
6 April 2021	\$0.16	3,600,000
6 April 2022	\$0.16	6,800,000
15 September 2022	\$0.16	800,000
11 April 2023	\$0.16	4,800,000
Total		<u>23,293,184</u>

All options were granted over unissued fully paid ordinary shares in the Company. Options granted carry no dividend or voting rights.

Atomo Diagnostics Limited
Directors' report
30 June 2020

2. New option plan details

Shortly prior to being listed on the ASX, the Company established a new employee option plan to align the interests of eligible employees and directors with shareholders through the sharing of a personal interest in the future growth and development of the Company and to provide a means of attracting and retaining skilled and experienced eligible persons.

Upon Atomo's admission to the official list of ASX, Atomo granted a total of 6,800,000 options under the new option plan to the four (4) executive KMPs exercisable at \$0.25 within 36 months from the date of vesting. The options will vest in three equal tranches in 12 months, 24 months and 36 months respectively, subject to the satisfaction of vesting conditions relating to KPIs determined by the Managing Director or in the case of the Managing Director, determined by the Board in consultation with the Nomination and Remuneration Committee.

As at the date of this report, the Company had granted 6,800,000 options to key management personnel under the new option plan:

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
John Kelly	666,667	14 April 2020	14 April 2021	14 April 2024	\$0.25	\$0.118
John Kelly	666,667	14 April 2020	14 April 2022	14 April 2025	\$0.25	\$0.131
John Kelly	666,666	14 April 2020	14 April 2023	14 April 2026	\$0.25	\$0.141
William Souter	533,333	14 April 2020	14 April 2021	14 April 2024	\$0.25	\$0.118
William Souter	533,333	14 April 2020	14 April 2022	14 April 2025	\$0.25	\$0.131
William Souter	533,334	14 April 2020	14 April 2023	14 April 2026	\$0.25	\$0.141
Mark Smith	533,333	14 April 2020	14 April 2021	14 April 2024	\$0.25	\$0.118
Mark Smith	533,333	14 April 2020	14 April 2022	14 April 2025	\$0.25	\$0.131
Mark Smith	533,334	14 April 2020	14 April 2023	14 April 2026	\$0.25	\$0.141
Fabio Baglioni	533,333	14 April 2020	14 April 2021	14 April 2024	\$0.25	\$0.118
Fabio Baglioni	533,333	14 April 2020	14 April 2022	14 April 2025	\$0.25	\$0.131
Fabio Baglioni	533,334	14 April 2020	14 April 2023	14 April 2026	\$0.25	\$0.141
Total[^]	6,800,000					

[^] These options form part of the 8,400,000 options issued to executive management and I D & E Pty Ltd ATF I D E Trust as disclosed on the ASX on 14 April 2020.

All options were granted over unissued fully paid ordinary shares in the Company. Options granted carry no dividend or voting rights.

Atomo Diagnostics Limited
Directors' report
30 June 2020

Additional disclosures relating to key management personnel

Shareholding:

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Exercise of options	Exercise of GHIF warrants	Issued on Conversion of Converting Note	Acquired through IPO	Balance at the end of the year
<i>Ordinary shares*</i>						
John Keith	2,781,056	480,000	-	-	-	3,261,056
John Kelly	73,530,248	-	-	-	-	73,530,248
Curt LaBelle**	34,666,672	-	10,868,183	18,316,425	-	63,851,280
Paul Kasian	-	-	-	-	100,000	100,000
Connie Carnabuci	-	-	-	-	75,000	75,000
George Sidis^	9,032,248	408,000	-	-	-	9,440,248
Doris-Ann Williams^^	-	-	-	-	-	-
William Souter	-	-	-	-	250,000	250,000
Mark Smith	7,790,224	-	-	-	-	7,790,224
Fabio Baglioni	-	-	-	-	-	-
Totals	127,800,448	888,000	10,868,183	18,316,425	425,000	158,298,056

* All share numbers are presented on a post share split basis

** Includes shares held by Global Health Investment Fund LLC. Curt LaBelle is President at GHIF.

^ Resigned on 3 February 2020

^^ Resigned on 22 January 2020

Option holding:

The number of options over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Options over ordinary shares*</i>					
John Keith	6,000,000	-	(2,400,000)	-	3,600,000
John Kelly	-	2,000,000	-	-	2,000,000
Curt LaBelle**	3,600,000	-	-	-	3,600,000
Paul Kasian	-	-	-	-	-
Connie Carnabuci	-	-	-	-	-
George Sidis^	1,680,000	1,600,000	(480,000)	-	2,800,000
Doris-Ann Williams^^	3,600,000	-	-	-	3,600,000
William Souter	-	1,600,000	-	-	1,600,000
Mark Smith	-	1,600,000	-	-	1,600,000
Fabio Baglioni	-	1,600,000	-	-	1,600,000
Totals	14,880,000	8,400,000	(2,880,000)	-	20,400,000

* All option numbers are presented on a post share split basis

** Includes options held by Global Health Investment Fund LLC, except for the warrants as described in Note 13. Curt LaBelle is President at GHIF.

^ Resigned on 3 February 2020

^^ Resigned on 22 January 2020

Atomo Diagnostics Limited
Directors' report
30 June 2020

Other transactions with key management personnel and their related parties:

Transactions between related parties are on normal commercial terms and conditions and no more favourable than those available to other parties, unless stated otherwise. The following transactions occurred with related parties:

	Consolidated	
	2020	2019
ID&E Pty Ltd, a company controlled by Mr George Sidis, previously a Non-Executive Director of the Company, provided the following services during the year:		
Purchase of inventory (Atomo devices)	1,383,733	399,676
Research and development	1,524,861	1,242,145
Plant and equipment	670,401	599,357
Other services	560,306	168,332
Total	4,139,301	2,409,510

Mr George Sidis resigned as a Director of Atomo on 3 February 2020. A significant portion of the transactions noted above occurred while Mr George Sidis was a director of Atomo.

At the end of the financial year, the following amounts were shown owing to related parties in trade and other payables:

	640,615	392,073
--	---------	---------

Curt LaBelle is a Non-Executive Director of the Company and is also President of GHIF. GHIF is also a substantial shareholder of the Company holding 11.38% of the issued capital of the Company as at 30 June 2020 (2019: 11.9%). During the year, the Group had borrowings from GHIF (further details of which can be found at Note 13 of the financial statements) and GHIF was also a participant in the converting notes issued during the year holding \$2.93 million of the total \$16.05 million issued (further details of which can be found at Note 13 of the financial statements).

Statutory performance indicators

The Company aims to align its executive remuneration to its strategic and business objective and the creation of shareholder wealth. The table below shows measures of the Group's financial performance over the last three years (being the extent of available historic audited performance information) as required by the *Corporations Act 2001*. However, these are not necessarily consistent with the measures used in determining the variable amounts of remuneration to be awarded to KMPs. As a consequence, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded.

Measure	2020	2019	2018
Loss for the year attributable to the Company (\$)	(9,613,955)	(5,083,335)	(4,915,202)
Basic earnings per share (cents)	(2.71)	(1.82)	(1.86)
Dividend payments	-	-	-
Dividend payout ratio [^]	-	-	-
Increase / (decrease) in share price ^{^^}	70.0%	-	-
Total KMP incentives as a percentage of profit / (loss) for the year	(12.8%)	(9.2%)	(6.1%)

[^] The dividend payout ratio is calculated on dividends paid and profit for the year.

^{^^} Atomo's shares first traded on the ASX on 16 April 2020 after successful completion of its IPO. Accordingly, no share price information has been provided prior to FY20. For FY20, the movement in shares price has been calculated as the difference between the IPO price (i.e. \$0.20) and the closing price as at 30 June 2020 (i.e. \$0.34).

This concludes the remuneration report, which has been audited.

Atomo Diagnostics Limited
Directors' report
30 June 2020

Shares under option

Unissued ordinary shares of Atomo Diagnostics Limited under option at the date of this report are as follows:

Expiry Date	Exercise price	Number of options
14 April 2022	\$0.03	2,293,184
24 November 2020	\$0.16	5,000,000
6 April 2021	\$0.16	3,600,000
6 April 2022	\$0.16	6,800,000
15 September 2022	\$0.16	800,000
11 April 2023	\$0.16	4,800,000
14 April 2024	\$0.25	2,799,999
14 April 2025	\$0.25	2,799,999
14 April 2026	\$0.25	2,800,002
Total		<u>31,693,184</u>

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options

The following ordinary shares of Atomo Diagnostics Limited were issued during the year ended 30 June 2020 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
20 April 2012	\$0.03	408,000
21 November 2012	\$0.03	5,610,491
27 June 2014	\$0.08	480,000
24 November 2016	\$0.16	1,080,000
6 April 2017	\$0.16	240,000
6 April 2018	\$0.16	560,000
15 September 2018	\$0.16	390,000
Total		<u>8,768,491</u>

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to 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 part of those proceedings.

Atomo Diagnostics Limited
Directors' report
30 June 2020

Non-audit services

Details of the amounts paid or payable to the Company's auditors for non-audit services provided during the financial year by the auditors are outlined in Note 20 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditors (or by another person or firm on the auditors' behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in Note 20 to the financial statements do not compromise the external auditors' independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditors; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former partners of the Company's Auditors

There are no officers of the company who are former partners of KPMG Australia or BDO Australia.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

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 immediately after this directors' report.

Auditor

On 27 July 2020, KPMG Australia resigned as auditor of the Company. On 3 August 2020, BDO Audit Pty Ltd was appointed as auditor of the Company.

BDO Audit Pty Ltd 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)(a) of the Corporations Act 2001.

On behalf of the directors



John Keith
Chairman

31 August 2020
Sydney

DECLARATION OF INDEPENDENCE BY GARETH FEW TO THE DIRECTORS OF ATOMO DIAGNOSTICS LIMITED

As lead auditor of Atomo Diagnostics Limited for the year ended 30 June 2020, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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



Gareth Few
Director

BDO Audit Pty Ltd

Sydney

31 August 2020

Atomo Diagnostics Limited

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30 June 2020

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General information

The financial statements cover Atomo Diagnostics Limited as a consolidated entity consisting of Atomo Diagnostics Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Atomo Diagnostics Limited's functional and presentation currency.

Atomo Diagnostics Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

Level 2
701 – 703 Parramatta Road
Leichhardt NSW 2040

Principal place of business

Level 2
701 – 703 Parramatta Road
Leichhardt NSW 2040

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 31 August 2020. The directors have the power to amend and reissue the financial statements.

Atomo Diagnostics Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2020

	Note	Consolidated 2020	2019
Revenue	1(g), 3	5,368,698	539,736
Cost of sales		<u>(2,173,731)</u>	<u>(443,419)</u>
Gross profit		3,194,967	96,317
Other income	3	844,518	1,325,485
Employee benefits expenses	4(a)	(2,972,709)	(2,104,304)
Foreign exchange gains / (losses)		(556,249)	(381,006)
Depreciation and amortisation	4(b)	(687,087)	(560,607)
Research and development expenses		(695,009)	(1,335,561)
Inventory obsolescence expense		223,752	(78,209)
Insurance expenses		(86,981)	(33,756)
IPO expenses not taken up in equity		(883,866)	-
IT expenses		(146,958)	(120,076)
Occupancy expenses		(32,724)	(78,364)
Professional and consulting fees expense		(929,695)	(709,190)
Regulatory expenses		(293,594)	(35,947)
Travel expenses		(131,294)	(182,285)
Other expenses		<u>(801,856)</u>	<u>(443,003)</u>
Results from operating activities		(3,954,785)	(4,640,506)
Finance income	4(c)	21,858	22,333
Finance costs	4(c)	<u>(5,285,178)</u>	<u>(436,939)</u>
Net finance income / (cost)	4(c)	(5,263,320)	(414,606)
Loss before income tax		(9,218,105)	(5,055,112)
Income tax (expense) / benefit	5(a)	-	-
Loss for the year		(9,218,105)	(5,055,112)
Other comprehensive income			
Foreign currency translation reserve		<u>(395,849)</u>	<u>(28,223)</u>
Total comprehensive income for the year		(9,613,954)	(5,083,335)
		Cents	Cents
Loss per share for profit attributable to the owners of Atomo Diagnostics Limited			
Basic earnings per share	28	(2.71)	(1.82)
Diluted earnings per share	28	(2.71)	(1.82)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Atomo Diagnostics Limited
Statement of financial position
As at 30 June 2020

	Note	2020	2019
Assets			
Current assets			
Cash and cash equivalents	6(a)	27,103,838	1,855,706
Trade and other receivables	7	3,487,521	582,005
Inventories	8	1,209,676	787,718
Current tax assets	5(b)	1,273,201	771,177
Total current assets		<u>33,074,236</u>	<u>3,996,606</u>
Non-current assets			
Property, plant and equipment	9	1,452,598	1,153,296
Right-of-use assets	10	55,710	-
Intangible assets	11	1,518,334	900,396
Total non-current assets		<u>3,026,642</u>	<u>2,053,692</u>
Total assets		<u>36,100,878</u>	<u>6,050,298</u>
Liabilities			
Current liabilities			
Trade and other payables	12	1,296,904	1,049,876
Borrowings	13	-	3,928,101
Lease liabilities	14	47,866	-
Employee benefits	15	162,570	74,369
Total current liabilities		<u>1,507,340</u>	<u>5,052,346</u>
Non-current liabilities			
Borrowings	12	-	6,410,560
Lease liabilities	14	7,675	-
Employee benefits	15	105,023	58,978
Total non-current liabilities		<u>112,698</u>	<u>6,469,538</u>
Total liabilities		<u>1,620,038</u>	<u>11,521,885</u>
Net assets / (liabilities)		<u>34,480,840</u>	<u>(5,471,587)</u>
Equity			
Issued capital	16	66,514,571	17,110,055
Foreign currency translation reserve	17	(451,342)	(55,493)
Share based payment reserve	17	746,970	585,105
Accumulated losses		<u>(32,329,359)</u>	<u>(23,111,254)</u>
Total equity		<u>34,480,840</u>	<u>(5,471,587)</u>

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

Atomo Diagnostics Limited
Statement of changes in equity
For the year ended 30 June 2020

Consolidated	Issued capital	Foreign Currency Translation Reserve	Share based payment reserve	Accumulated losses	Total equity
Balance at 1 July 2018	13,194,931	(27,270)	-	(18,056,142)	(4,888,481)
Loss for the year	-	-	-	(5,055,112)	(5,055,112)
Other comprehensive income	-	(28,223)	-	-	(28,223)
Total comprehensive income for the year	-	(28,223)	-	(5,055,112)	(5,083,335)
<i>Transactions with owners, recorded directly in equity</i>					
Ordinary shares issued during the year	3,923,122	-	-	-	3,923,122
Capital raising costs	(7,998)	-	-	-	(7,998)
Equity-settled share based payments	-	-	585,105	-	585,105
Total transactions with owners	3,915,124	-	585,105	-	4,500,229
Balance at 30 June 2019	17,110,055	(55,493)	585,105	(23,111,254)	(5,471,587)
Balance at 1 July 2019	17,110,055	(55,493)	585,105	(23,111,254)	(5,471,587)
Loss for the year	-	-	-	(9,218,105)	(9,218,105)
Other comprehensive income	-	(395,849)	-	-	(395,849)
Total comprehensive income for the year	-	(395,849)	-	(9,218,105)	(9,613,954)
<i>Transactions with owners, recorded directly in equity</i>					
Ordinary shares issued during the year	51,143,218	-	-	-	51,143,218
Capital raising costs	(2,245,060)	-	-	-	(2,245,060)
Equity-settled share-based payments	-	-	490,542	-	490,542
Exercise of options	506,358	-	(328,677)	-	177,681
Total transactions with owners	49,404,516	-	161,865	-	49,566,381
Balance at 30 June 2020	66,514,571	(451,342)	746,970	(32,329,359)	34,480,840

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

Atomo Diagnostics Limited
Statement of cash flows
For the year ended 30 June 2020

	Note	Consolidated 2020	2019
Cash flows from operating activities			
Receipts from customers		2,463,182	477,023
Receipts from grant donors		-	390,725
Payments to suppliers and employees		(7,135,970)	(5,429,490)
Cash used in operations		<u>(4,672,788)</u>	<u>(4,561,742)</u>
Interest received		21,858	22,333
Interest paid		(1,498,548)	(633,439)
IPO costs not taken up in financing activities		(883,866)	-
R&D tax incentive received		771,416	3,334,361
Net cash from operating activities	6(b)	<u>(6,261,928)</u>	<u>(1,838,487)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(818,690)	(739,915)
Payments for intangible assets		(1,174,451)	(73,442)
Net cash used in investing activities		<u>(1,993,141)</u>	<u>(813,357)</u>
Cash flows from financing activities			
Repayment of borrowings		(9,342,512)	-
Repayment of leases		(79,169)	-
Net proceeds from issue of share capital		27,806,235	2,434,317
Net proceeds from issue of convertible notes		15,221,874	-
Net cash used in financing activities		<u>33,606,428</u>	<u>2,434,317</u>
Net increase/(decrease) in cash and cash equivalents		25,351,360	(217,527)
Cash and cash equivalents at the beginning of the financial year		1,855,706	1,993,596
Effects of exchange rate fluctuations on cash held		(103,228)	79,637
Cash and cash equivalents at the end of the financial year	6(a)	<u><u>27,103,838</u></u>	<u><u>1,855,706</u></u>

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

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The Directors have reviewed all of the new and revised accounting standards and interpretations issued by the Australian Accounting Standards Board for annual reporting periods beginning or after 1 July 2019. It has been determined that there is no impact, material or otherwise, of any other new or revised accounting standards and interpretations other than those outlined in the New and amended standards adopted by the group outlined above.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 16 Leases:

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group has opted to recognise a lease expense on a straight-line basis as permitted by AASB 16.

AASB 16 replaces existing leases guidance, including AASB 117 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluation the Substance of Transactions Involving the Legal Form of a Lease*.

Previously, the Group recognised operating lease expenses on a straight-line basis over the term of the lease. Under AASB 16, the Group will recognise new assets and liabilities for its operating leases of rented premises. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities, included in finance costs, based on the interest rate implicit in the contract.

Following the adoption of AASB 16, the Group has recognised additional lease liabilities of \$133,151.

AASB Interpretation 23:

The Group has adopted AASB Interpretation 23 *Uncertainty over Income Tax Treatments* from 1 July 2019. AASB Interpretation 23 outlines the requirements around accounting for uncertain tax positions. The Group has concluded that it is probable that the tax authorities will accept the current method of calculating the Group's current tax liability which is calculated in accordance with AASB 112.

(b) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention:

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Reclassification of prior year amounts and balances:

In certain circumstances, prior year amounts and balances have been reclassified for comparability.

Note 1. Significant accounting policies (continued)

Critical accounting estimates:

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 1(b).

(c) Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 25.

(d) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Atomo Diagnostics Limited ('company' or 'parent entity') as at 30 June 2020 and the results of all subsidiaries for the year then ended. Atomo Diagnostics Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated except where such amounts arise on monetary items that form part of the net investments in a foreign operation, in which case they are recognised in reserves. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

(e) Operating segments

The Group manages its operations as a single business operation and there are no parts of the Group that qualify as operating segments under AASB 8 *Operating Segments*. The CEO (Chief Operating Decision Maker or "CODM") assesses the financial performance of the Group in an integrated basis only and accordingly, the Group is managed on the basis of a single segment, being medical device research and development. Information presented to the CODM on a monthly basis is categorised by type of expenditure.

(f) Foreign currency translation

The financial statements are presented in Australian dollars, which is Atomo Diagnostics Limited's functional and presentation currency.

Note 1. Significant accounting policies (continued)

Foreign currency transactions:

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations:

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

(g) Revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers and sale of goods

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

Customers obtain control of the HIV self-testing kits when the goods are ready and released by Quality Assurance (QA). It is then the responsibility of the customer to make the necessary arrangements for freight and the collection of goods from the Group's warehouse. Invoices are generated once the goods are released by QA and ready for collection by the customer. Invoices are usually payable within 30 to 75 days, dependent on the contracted agreement. The contracts do not allow the customers to return the goods as the testing kits have a set shelf-life and have gone through vigorous testing prior to delivery.

Where sales are made to customers on an OEM basis for use in their own test, including for COVID-19, revenue is recognised at the point transfer of control over those products at the warehouse delivery point.

Since none of the contracts permit the customer to return an item, revenue is recognised for all the goods once the goods have been released by QA and are available for collection at the Group's warehouse.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

(h) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax:

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

Current tax assets and liabilities are offset only if certain criteria are met.

Note 1. Significant accounting policies (continued)

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 business combination and that affects neither accounting nor taxable profit or loss, or on taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are 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. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

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 at the reporting date.

The measurement of deferred tax reflects the tax consequences that could follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

R&D tax incentives:

R&D tax incentives received by the Group are recognised as other income over the periods necessary to match the benefit of the incentive with the costs for which it is intended to compensate ("**associated costs**"). Such periods will depend on whether the associated costs are capitalised or expensed as incurred.

Under this policy, for that portion of associated costs which are expensed during the period, the proportional incentive is recognised in other income in full during the same period. For that portion of associated costs which are capitalised during the period, the proportional incentive is initially offset against the capitalised associated costs and recognised against amortisation expense on a systematic basis matching the useful life of the capitalised asset.

(i) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

(j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 1. Significant accounting policies (continued)

(k) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days but certain customers have longer payment terms.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

(l) Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(m) Property, plant and equipment

Recognition and measurement:

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain and loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure:

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation:

Depreciation is calculated based on the cost of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives of property, plant and equipment are as follows:

Plant and equipment	2 - 5 years
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Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(n) Leases

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Note 1. Significant accounting policies (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(o) Intangible assets

Recognition and measurement:

Computer software:

Computer software comprises computer application system software and licenses. Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to computer software. Costs capitalised include external direct costs of materials and services, direct payroll and payroll-related costs.

Patents, trademarks and licences:

Other intangible assets, including patents, trademarks and licences that are acquired by the Group and have finite useful lives are measured at cost less any accumulated amortisation and impairment losses.

Capitalised development costs:

Capitalised development costs relate to the Company's rapid-deployment and associated manufacturing platforms and are only capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

Expenditure on research activities is recognised in profit or loss as incurred.

Subsequent expenditure:

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation:

Amortisation is calculated based on the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives of intangible assets are as follows:

Patents and trademarks	10 - 20 years
Other intangibles	10 years
Capitalised development costs	10 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Note 1. Significant accounting policies (continued)

(p) Impairment

Non-derivative financial assets:

Financial assets not classified as at fair value through profit or loss are assessed at each reporting date to determine whether there is evidence of impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets:

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units ("CGUs"). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amount of assets in the CGU on a pro rata basis. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(q) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 1. Significant accounting policies (continued)

(r) Financial instruments

Classification and measurement – non-derivative financial assets and financial liabilities:

On 1 July 2018 (the date of initial application of AASB 9), the Group's management assessed which business models applied to the financial assets held by the Group and classified its financial instruments into the appropriate AASB 9 categories.

Financial assets classified as held-to-maturity and loans and receivables under AASB 139 that were measured at amortised cost continued to be measured at amortised cost under AASB 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

In relation to the impairment of financial assets, AASB 9 requires an expected credit loss model as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. Consequently, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The Group has one type of financial assets (trade and other receivables) that are subject to AASB 9's new expected credit loss model.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Apart from the above, the application of AASB 9 had no impact on the classification and measurement of the Group's financial assets and liabilities.

Convertible notes:

During the months of October and November 2019, the Company raised \$16.05 million through the issue of converting notes. These notes were interest bearing at an annual rate of 10% and convertible at the earlier of the occurrence of a significant equity raising transaction, or twelve (12) months from the date of issue. Further details of the terms attaching to the converting notes can be found at Note 13.

All of the converting notes were converted into 100,302,363 ordinary shares in the Company as part of the IPO which was completed in April 2020.

The convertible notes were treated as debt and were accounted for as two (2) components being:

- a. a liability component; and
- b. an embedded derivative liability.

The liability component of the converting notes was initially recognised at fair value. Any directly attributable transaction costs were allocated against the liability. Subsequent to initial recognition, the liability component of the converting note was measured at amortised cost using the effective interest method. Interest related to the financial liability was recognised in profit or loss. On conversion, the financial liability was reclassified to equity and no gain or loss is recognised.

The embedded derivative component of the converting notes was initially measured at fair value through profit and loss and any net gains and losses were recognised in profit and loss. The value of this derivative was calculated using the Monte Carlo method and recognised at fair value through profit and loss. This component was revalued (for which the fair value movement was accounted for through profit and loss) and then reclassified to issued capital when the converting notes were converted into ordinary shares at the time of the Company's IPO.

Note 1. Significant accounting policies (continued)

Warrants

The warrants issued to GHIF as part of the GHIF loan (as described in Note 13) were initially recognised as a liability and measured at fair value through profit and loss and any net gains and losses were recognised in profit and loss.

This liability was revalued (for which the fair value movement was recognised through profit and loss) and then reclassified to issued capital when the warrants were exercised and converted into ordinary shares at the time of the Company's IPO.

(s) Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

(t) Employee benefits

Short-term employee benefits:

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits:

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at 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 corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense:

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments:

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. Where early exercise has occurred, this cost is accelerated. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Note 1. Significant accounting policies (continued)

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

(u) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on 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; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

(v) Issued capital

Ordinary shares, Class B shares and Ord+ 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.

Note 1. Significant accounting policies (continued)

(w) Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

(x) Earnings per share

Basic earnings per share:

Basic earnings per share is calculated by dividing the profit attributable to the owners of Atomo Diagnostics Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share:

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(y) Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

(z) Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Share-based payment transactions:

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted and includes assumptions which require judgement.

The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Allowance for expected credit losses:

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Write-down of inventories:

Any write-down of inventories requires a degree of estimation and judgement. The level of the write-down is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Fair value measurement hierarchy:

The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets:

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of intangible assets:

The Group tests intangible assets for impairment for each reporting period or more frequently if events or changes in circumstances indicate it has suffered any impairment, in accordance with the accounting policy stated in Note 3(o). The recoverable amount of a cash generating unit ("CGU") is determined based on value-in-use calculations whereby cash flows are projected and extrapolated over a five year period with growth rates that do not exceed the long-term average growth rate for the market in which the Group operates. The discount rate used reflects the Group's pre-tax weighted average cost of capital.

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Note 3. Revenue and other income

	Consolidated	
	2020	2019
<i>Revenue:</i>		
Revenue from sale of goods		
COVID-19	3,397,307	-
HIV	1,184,743	326,855
Other OEM	522,626	140,791
Other	264,022	72,090
	<u>5,368,698</u>	<u>539,736</u>
<i>Other income:</i>		
R&D tax rebate received	807,018	805,538
Grants received	-	427,567
Other income	37,500	92,380
	<u>844,518</u>	<u>1,325,485</u>
Total revenue and other income	<u>6,213,216</u>	<u>1,865,221</u>

Note 4. Expenses

	Consolidated	
	2020	2019
Profit before income tax from continuing operations includes the following specific expenses:		
(a) Employee benefits expense		
Salaries, wages and directors' fees	2,118,598	1,336,162
Contributions to defined contribution superannuation funds	161,061	118,531
Equity-settled share-based payments	616,930	585,105
Other employment related expenses	76,120	64,506
	<u>2,972,709</u>	<u>2,104,304</u>
(b) Depreciation and amortisation expense		
Depreciation expense (Note 9)	519,388	495,220
Amortisation expense (Note 11)	90,090	65,387
Right-of-use assets (Note 10)	77,609	-
	<u>687,087</u>	<u>560,607</u>
(c) Net finance income / (cost)		
Interest income	21,858	22,333
Cash Interest expense	(1,207,464)	(656,105)
Effective interest expense	(7,055,755)	(382,263)
Borrowing costs	(826,397)	-
Fair value gain / (loss) on financial liabilities	3,804,438	601,429
	<u>(5,263,320)</u>	<u>(414,606)</u>

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Note 5. Income tax

(a) Income tax benefit

Income tax benefit comprises current and deferred tax expense and is recognised in profit or loss, except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income. The components of income tax benefit comprise:

	Consolidated	
	2020	2019
Current tax	-	-
Deferred tax	-	-
Total income tax benefit	<u>-</u>	<u>-</u>

The prima facie tax on profit before income tax is reconciled to the income tax benefit as follows:

	Consolidated	
	2020	2019
Loss before income tax	(9,218,105)	(5,055,112)
Tax using the Company's domestic Australian tax rate (27.5%)	2,534,979	1,390,156
Permanent and temporary differences	(1,783,117)	206,141
Under provision of tax in prior years	-	(34,361)
Other	50,813	24,479
Tax losses not brought to account	(802,675)	(1,586,415)
Total income tax benefit	<u>-</u>	<u>-</u>

(b) Current tax assets

The current tax asset as at 30 June 2020 of \$1,273,201 (2019: \$771,177) represents income tax rebates receivable from relevant tax authorities on the Group's research and development expenditure. Refer to Note 1(h) for the Group's accounting policy for R&D tax incentives.

(c) Deferred tax assets and liabilities

Due to the uncertainty of the Group generating sufficient taxable income to offset tax losses carried forward, the future tax benefits of these losses, to the extent that they do not set off temporary differences that have resulted in deferred tax liabilities, has not been brought to account in these financial statements.

Note 6. Current assets - cash and cash equivalents

	Consolidated	
	2020	2019
(a) Cash and cash equivalents in statement of cash flows		
Cash at bank	<u>27,103,838</u>	<u>1,855,706</u>
	<u>27,103,838</u>	<u>1,855,706</u>
(b) Reconciliation of cash flows from operating activities		
Loss for the year	(9,218,104)	(5,055,112)
<i>Adjustments for:</i>		
Depreciation and amortisation	687,087	560,607
Unrealised currency translation movements	556,249	513,264
Equity-settled share-based payment transactions	616,930	585,105
Fair value (gain) / loss on financial liabilities	(3,804,438)	(601,429)
Finance costs	<u>7,882,152</u>	<u>310,509</u>
	5,937,980	1,368,056
Operating profit before changes in working capital and provisions	<u>(3,280,124)</u>	<u>(3,687,056)</u>
<i>Changes in working capital and provisions:</i>		
Change in trade and other receivables	(2,941,119)	2,349,858
Change in trade and other payables	247,027	7,438
Change in inventories	(421,958)	(529,225)
Change in employee benefits	<u>134,246</u>	<u>20,498</u>
	(2,981,804)	1,848,569
Net cash from operating activities	<u>(6,261,928)</u>	<u>(1,838,487)</u>

Note 7. Current assets - trade and other receivables

	Consolidated	
	2020	2019
Receivables from trade customers	3,003,406	314,306
Expected credit loss / bad debt provision	-	-
Other receivables	<u>484,115</u>	<u>267,699</u>
	<u>3,487,521</u>	<u>582,005</u>

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

Ageing of receivables from trade customers:

Consolidated - 2020	0 to 30 Days	31 to 60 Days	61 to 90 Days	91 to 120 Days	121 + Days	Total
Receivables from trade customers	2,822,642	27,027	-	74,825	78,912	3,003,406

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Note 8. Current assets - inventories

	Consolidated 2020	2019
Raw materials	876,105	1,038,968
Raw materials provision	(24,764)	(416,851)
Work in progress	22,498	78,791
Finished goods	335,837	86,810
	<u>1,209,676</u>	<u>787,718</u>

Note 9. Non-current assets - property, plant and equipment

	Consolidated 2020	2019
Plant and equipment - at cost	3,050,584	2,231,894
Less: Accumulated depreciation	(1,597,986)	(1,078,598)
Total plant and equipment	<u>1,452,598</u>	<u>1,153,296</u>
Total property, plant and equipment	<u>1,452,598</u>	<u>1,153,296</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Plant and equipment	Total
Balance at 1 July 2018	908,601	908,601
Additions	739,915	739,915
Depreciation expense	(495,220)	(495,220)
Balance at 30 June 2019	<u>1,153,296</u>	<u>1,153,296</u>
Balance at 1 July 2019	1,153,296	1,153,296
Additions	818,690	818,690
Depreciation expense	(519,388)	(519,388)
Balance at 30 June 2020	<u>1,452,598</u>	<u>1,452,598</u>

Note 10. Non-current assets - right-of-use assets

	Consolidated 2020	2019
Land and buildings - right-of-use (Note 14)	118,727	-
Less: Accumulated depreciation (Note 14)	(73,887)	-
	<u>44,840</u>	<u>-</u>
Plant and equipment - right-of-use (Note 14)	14,493	-
Less: Accumulated depreciation (Note 14)	(3,623)	-
	<u>10,870</u>	<u>-</u>
Total right-of-use assets	<u>55,710</u>	<u>-</u>

Additions to the right-of-use assets during the year were \$133,221.

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Note 10. Non-current assets - right-of-use assets (continued)

The Group leases land and buildings for its offices in Sydney Australia and warehouse in South Africa under agreements of between one (1) to two (2) years with, in some cases, options to extend. The Group also leases a single piece of office equipment under a five (5) year agreement.

Note 11. Non-current assets - intangibles

	Consolidated	
	2020	2019
Patents and trademarks	1,449,224	1,078,390
Less Accumulated amortisation	(536,164)	(210,182)
Total patents and trademarks	913,060	868,208
Product development assets	605,812	-
Less: Accumulated amortisation	(20,817)	-
Total product development assets	584,995	-
Other intangibles	91,429	91,429
Less: Accumulated amortisation	(71,150)	(59,241)
Total other intangibles	20,279	32,188
Total intangibles	1,518,334	900,396

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Product development costs	Patents and trademarks	Other intangibles	Total
Balance at 1 July 2018	-	848,297	44,044	892,341
Additions	-	73,442	-	73,442
Amortisation expense	-	(53,531)	(11,856)	(65,387)
Balance at 30 June 2019	-	868,208	32,188	900,396
Balance at 1 July 2019	-	868,208	32,188	900,396
Additions	1,072,234	102,215	-	1,174,449
Amortisation expense	(36,846)	(57,363)	(11,909)	(106,118)
Capitalisation of R&D rebate	(466,421)	-	-	(466,421)
Capitalised R&D rebate recognised in profit and loss	16,028	-	-	16,028
Balance at 30 June 2020	584,995	913,060	20,279	1,518,334

Note 12. Current liabilities - trade and other payables

	Consolidated	
	2020	2019
Trade payables	930,035	604,033
Accrued expenses	302,350	417,169
Other payables	64,519	28,674
	1,296,904	1,049,876

All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value.

Note 13. Borrowings

	Consolidated	
	2020	2019
Current:		
Loan from Global Health Investment Fund LLC	-	1,758,376
Warrants recognised at fair value through profit or loss	-	2,169,725
	<hr/>	<hr/>
	-	3,928,101
Non-current:		
Loan from Global Health Investment Fund LLC	-	6,410,560
	<hr/>	<hr/>
	-	6,410,560
Total borrowings	<hr/>	<hr/>
	-	10,338,661

Loan from Global Health Investment Fund LLC (“GHIF”):

During the year ended 30 June 2020, the loan from GHIF was repaid in full.

In December 2015, the Company received a loan from GHIF for an amount of US\$6,000,000. The principal of the loan was repayable:

- (i) 20% of the principal drawn by 30 June 2020;
- (ii) a further 35% of the principal drawn by 31 December 2020; and
- (iii) the remainder of the loan by 31 December 2021.

Interest was payable at the rate of 7% annually in arrears at 31 December each year. Security was provided by a floating charge over the revolving assets (inventory, negotiable instruments and plant and equipment) of the Company and a fixed charge over all other collateral (all other property).

The loan agreement required certain performance commitments including:

- (i) making products and services available to disadvantaged patients on a tiered pricing structure. This commitment also applied to partners, distributors of the Company or assignee of intellectual property; and
- (ii) until full repayment of the loan, dividends or distributions paid by the Company could not exceed 50% of the cumulative retained profits of the Company.

GHIF also had an option to receive up to 2,727,273 shares (or 21,818,184 on a post share split basis) in the Company at an exercise price of US\$0.55 which was exercised on a cash-less basis prior to the IPO ultimately resulting in the issue of 10,868,183 shares (on a post share split basis).

These options were initially recognised as a liability and measured at fair value through profit and loss and any net gains and losses were recognised in profit and loss. This liability was revalued (for which the fair value movement was recognised through profit and loss) and then reclassified to issued capital when the warrants were exercised and converted into ordinary shares at the time of the Company’s IPO.

Converting notes:

During the months of October and November 2019, the Company raised \$16.05 million through the issue of converting notes. These notes were interest bearing at an annual rate of 10% and convertible at the earlier of the occurrence of a significant equity raising transaction, or twelve (12) months from the date of issue. Of the \$16.05 million, a non-cash portion amounting to \$1.76 million was issued to GHIF in satisfaction of the first repayment of their loan (as described above).

Of the \$16.05 million, a non-cash portion amounting to \$1.76 million was issued to Global Health Investment Fund LLC (“GHIF”) in satisfaction of the first repayment of their loan (see above).

Note 13. Borrowings (continued)

All of the converting notes were converted into 100,302,363 ordinary shares in the Company as part of the IPO at a 20% discount to the IPO price in accordance with the terms of the converting notes which were as follows:

- a. The converting notes were to convert into ordinary shares at the earlier of:
- (i) twelve (12) months from the date of issue; or
 - (ii) on the occurrence of a “conversion event” being either:
 - an “initial public offering event” being the receipt by the Company of conditional approval from either the Australian Securities Exchange or any other financial market as applicable;
 - a “capital raising event” being a capital raising undertaken by the Company to raise a minimum of AUD\$15 million, but does not include any capital raising undertaken by the Company as part of an initial public offering; or
 - a “change of control event” being any event which has the effect of a change in control of the Company.
- b. The conversion price of the converting notes to ordinary shares was to be:
- (i) if the converting notes convert on the occurrence of an “initial public offering event”, the lesser of 80% of the issue price under the prospectus, or the “maximum conversion price”;
 - (ii) if the converting notes convert on the occurrence of a “capital raising event”, the lesser of 80% of the issue price under the capital raising, or the “maximum conversion price”;
 - (iii) if the converting notes convert on the occurrence of a “control event”, the lesser of 80% of the last price per share at which the control event occurred, of the “maximum conversion price”; or
 - (iv) if the converting notes convert at maturity, the lesser of 70% of the fair market value per share, or the “maximum conversion price”.

For the purpose of the above, “maximum conversion price” means:

- (i) if the converting notes convert on the occurrence of an “initial public offering event”, a “capital raising event” or a “control event”, then the price per share equal to 80% of AUD\$65 million divided by the number of shares on issue immediately prior to the occurrence of the conversion event; or
- (ii) if the converting notes convert on maturity, then the price per share equal to 70% of AUD\$65 million divided by the number of shares on issue immediately prior to the occurrence of the conversion event.

The variable conversion terms set out above gave rise to an embedded derivative attached to the converting notes. The value of this derivative was calculated using the Monte Carlo method and recognised at fair value through profit and loss.

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Note 14. Lease liabilities

	Consolidated	
	2020	2019
Current:		
Right-of-use lease liabilities (Note 10)	47,866	-
	<u>47,866</u>	<u>-</u>
Non-current:		
Right-of-use lease liabilities (Note 10)	7,675	-
	<u>7,675</u>	<u>-</u>
Total lease liabilities	<u>55,541</u>	<u>-</u>

AASB 16 *Leases* has been adopted with a modified retrospective transition approach so there are no disclosures for the comparative period.

Note 15. Employee benefits

	Consolidated	
	2020	2019
Current:		
Liability for annual leave	162,570	74,369
	<u>162,570</u>	<u>74,369</u>
Non-current:		
Liability for long service leave	105,023	58,978
	<u>105,023</u>	<u>58,978</u>
Total employee benefits	<u>267,593</u>	<u>133,347</u>

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current since the consolidated entity does not have an unconditional right to defer settlement.

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Note 16. Equity - issued capital

Movements in ordinary share capital:

	Ordinary Shares		Class B Shares		Ord+ Shares		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Number of shares:								
On issue as at 1 July	28,458,647	28,458,647	5,979,846	4,555,993	1,953,852	-	36,392,345	32,984,640
Conversion of debt	-	-	-	1,423,853	-	-	-	1,423,853
General issues during the year	-	-	-	-	-	1,953,852	-	1,953,852
Impact of 1:8 share split	199,210,529	-	41,858,922	-	13,676,964	-	254,746,415	-
Conversion of Ord+ shares	15,630,816	-	-	-	(15,630,816)	-	-	-
Conversion of Class B shares	47,838,768	-	(47,838,768)	-	-	-	-	-
Exercise of Options	8,768,491	-	-	-	-	-	8,768,491	-
Exercise of GHIF Warrants	10,868,183	-	-	-	-	-	10,868,183	-
Conversion of Converting Notes	100,302,363	-	-	-	-	-	100,302,363	-
Shares issued at IPO	150,000,010	-	-	-	-	-	150,000,010	-
On issue as at 30 June	561,077,807	28,458,647	-	5,979,846	-	1,953,852	561,077,807	36,362,345
Value (\$):								
On issue as at 1 July	8,630,940	8,638,938	6,036,800	4,555,993	2,442,315	-	17,110,055	13,194,931
Conversion of debt	-	-	-	1,480,807	-	-	-	1,480,807
General issues during the year	-	-	-	-	-	2,442,315	-	2,442,315
Impact of 1:8 share split	-	-	-	-	-	-	-	-
Conversion of Ord+ shares	2,442,315	-	-	-	(2,442,315)	-	-	-
Conversion of Class B shares	6,036,800	-	(6,036,800)	-	-	-	-	-
Exercise of Options	506,358	-	-	-	-	-	506,358	-
Exercise of GHIF Warrants	1,082,743	-	-	-	-	-	1,082,743	-
Conversion of Converting Notes	20,060,473	-	-	-	-	-	20,060,473	-
Shares issued at IPO	30,000,002	-	-	-	-	-	30,000,002	-
Capital raising costs	(2,245,060)	(7,998)	-	-	-	-	(2,245,060)	(7,998)
On issue as at 30 June	66,514,571	8,630,940	-	6,036,800	-	2,442,315	66,514,571	17,110,055

Note 16. Equity - issued capital (continued)

Ordinary shares:

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Class B shares:

During the year and concurrently with the IPO, 47,838,768 B Class shares (post share split) were converted into ordinary shares on a 1:1 basis pursuant to approval by shareholders on 19 December 2019. As at 30 June 2020, no B Class shares remained on issue.

B Class shares had the same rights as ordinary voting shares and were subject to the terms of the Investors Agreements and the Company's Constitution, save for the special terms that attached to B Class shares which were as follows:

- i. upon winding-up of the Company, each B Class share would convert into 1.2 ordinary shares;
- ii. in the event of sale of all the shares in the Company for a total consideration of not more than US\$20,000,000, each B Class share would convert into 1.2 ordinary shares with effect immediately prior to the sale. If the sale price was more than US\$20,000,000 then the B Class shares would convert into ordinary shares on a 1 for 1 basis;
- iii. in the event of listing of the Company's shares on a securities exchange at an initial price implying a total company market capitalisation of not more than US\$20,000,000, each B Class share would convert into 1.2 ordinary shares with effect immediately prior to the sale. If the initial price implies a total company market capitalisation of more than US\$20,000,000 then the B class shares would convert into ordinary shares 1 for 1; and
- iv. for any period when a B Class shareholder holds a minimum of 2 million shares in the Company (whether B class or ordinary shares), the shareholder would have the right to appoint a Director to the board.

Ord+ shares:

During the year, 15,630,816 Ord+ shares (post share split) were converted into ordinary shares on a 1:1 basis pursuant to approval by shareholders on 19 December 2019. As at 30 June 2020, no Ord+ shares remained on issue.

Ord+ shares had the same rights as ordinary voting shares and were subject to the terms of the Investors Agreements and the Company's Constitution, save for the special terms that attached to Ord+ shares which were as follows:

- i. the shares were issued with an accompanying entitlement to bonus shares which were to be issued in the event that a subsequent capital activity occurred at a price less than \$1.50 per ordinary share; and
- ii. the bonus shares entitlement applied in respect of the next capital activity that had one of the following characteristics:
 - a. if the company issued further ordinary shares for a price less than \$1.50 (\$0.1875 on a post share split basis) per share (other than in response to the exercise of existing share options or warrants), with an aggregate issue offer value in excess of \$3,000,000; or
 - b. if an agreement was made by which all of the ordinary shares in the Company were to be sold at an average price of less than \$1.50 (\$0.1875 on a post share split basis) per share.

Capital risk management:

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders, maintain sufficient financial flexibility to pursue its growth objectives and to maintain an optimum capital structure to reduce the cost of capital.

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Note 17. Equity - reserves

	Consolidated	
	2020	2019
Foreign currency translation reserve	(451,343)	(55,493)
Share based payment reserve	746,970	585,105
	<u>295,627</u>	<u>529,612</u>

Foreign currency translation reserve:

This reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars and the effect of permanent loans with foreign operations within the Group.

Share based payment reserve:

This reserve is used to recognise the fair value of equity-settled share-based payments where they related to yet-to-be exercised options.

Movements in reserves:

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Foreign currency	Share based payment	Total
Balance at 1 July 2018	(27,270)	-	(27,270)
Equity-settled share-based payments	-	585,105	585,105
Foreign currency translation	(28,223)	-	(28,223)
Balance as at 30 June 2019	<u>(55,493)</u>	<u>585,105</u>	<u>529,612</u>
Balance at 1 July 2019	(55,493)	585,105	529,612
Equity-settled share-based payments	-	490,542	490,542
Exercise of options	-	(328,677)	(328,677)
Foreign currency translation	(395,850)	-	(395,850)
Balance at 30 June 2020	<u>(451,343)</u>	<u>746,970</u>	<u>295,627</u>

Note 18. Equity - dividends

No dividends were paid or declared during the financial year (2019: Nil).

Franking credits:

	Consolidated	
	2020	2019
Franking credits available for subsequent financial years.	<u>-</u>	<u>-</u>

Note 19. Financial risk management

Financial risk management objectives:

The Group's activities expose it to a variety of financial risks including market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management objectives seek to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Note 19. Financial risk management (continued)

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies and evaluates financial risks within the Group. Finance reports to the Board on a monthly basis.

Market risk:

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as foreign exchange rates and interest rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign currency risk:

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

Consolidated	Assets		Liabilities	
	2020	2019	2020	2019
US Dollars	3,564,797	1,364,028	144,256	145,343
British Pounds	15,990	108,104	5,212	22,267
South African Rand	203,623	180,011	25,719	37,610
Japanese Yen	-	-	3,308	-
EURO	-	-	3,215	8,863
Swedish Krona Sek	-	-	3,618	-
	<u>3,784,410</u>	<u>1,652,142</u>	<u>185,328</u>	<u>214,083</u>

Reasonably possible movements in the Australian dollar against all other currencies as at 30 June 2020 would have affected the measurement of financial instruments denominated in a foreign currency and affected profit or loss and equity by the amounts shown below. This analysis assumes that all other variables remain constant and ignores any impact of forecast sales and purchases:

Consolidated	Profit Before Tax		Equity	
	2020	2019	2020	2019
AUD Strengthening by 10%	(327,189)	(130,733)	(327,189)	(130,733)
AUD Weakening by 10%	399,898	159,784	399,898	159,784

Price risk:

The Group is not exposed to any significant price risk.

Atomo Diagnostics Limited
Notes to the financial statements
30 June 2020

Note 19. Financial risk management (continued)

Interest rate risk:

As at 30 June 2020, the Group was not exposed to any significant interest rate risk. There is minimal exposure to the impact of adverse changes in benchmark interest rates.

The Group was exposed to variable interest rate risks on cash and short-term deposits. A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased or decreased profit before tax by \$100,041. This analysis assumes that all other variables remain constant.

Credit risk:

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a code of credit, including undertaking customer due diligence, confirming references and setting appropriate credit limits as appropriate. 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.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk:

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements:

The Group has no used or unused financing facilities in place as at 30 June 2020.

As at 30 June 2019, the Group had a single borrowing facility with GHIF. There were no unused amounts on this facility as at 30 June 2019. Refer to Note 13 for further details.

Remaining contractual maturities:

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2020	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	930,035	-	-	-	-
Other payables	-	366,869	-	-	-	-
<i>Interest-bearing</i>						
Lease liabilities	7.00%	47,866	7,675	-	-	-
Total non-derivatives		1,344,770	7,675	-	-	-

Atomo Diagnostics Limited
Notes to the financial statements
30 June 2020

Note 19. Financial risk management (continued)

Consolidated - 2019	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	604,033	-	-	-	-
Other payables	-	445,843	-	-	-	-
<i>Interest-bearing - fixed rate</i>						
Loan from GHIF	7.00%	1,633,787	2,859,128	3,676,021	-	-
Total non-derivatives		2,683,663	2,859,128	3,676,021	-	-

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 20. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by the Company's auditors, their network firms and unrelated firms:

	Consolidated	
	2020	2019
<i>Audit and assurance services:</i>		
KMPG Australia:		
Audit of financial statements	108,790	58,000
BDO Australia:		
Audit of financial statements	46,000	-
Total audit and assurance services	154,790	58,000
<i>Other services:</i>		
KMPG Australia:		
Tax advisory services	23,140	13,250
BDO Australia:		
Independent limited assurance services in relation to prospectus	164,897	-
Total other services	188,037	13,250
Total auditors' remuneration	342,827	71,250

Note 21. Contingent assets

There were no contingent assets as at 30 June 2020.

Atomo Diagnostics Limited
Notes to the financial statements
30 June 2020

Note 22. Contingent liabilities

During the 2016 financial year, the Group received a grant from The NSW Health Medical Devices Fund for \$1.8 million to support development and validation of a digitally integrated and e-health enabled version of the AtomoRapid HIV Self Test. The project has detailed budget and completion milestones. The funding is classified as a grant, however, if the Group achieves a result greater than \$500,000 EBITDA from sales of products specifically developed under the project, then repayments of the grant and an amount of imputed capitalised interest will be required. It is not foreseen that the Group will earn EBITDA greater than \$500,000 from products developed under the project.

Note 23. Commitments

	Consolidated	
	2020	2019
<i>Capital commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Plant and equipment	2,668,969	-
<i>Other commitments</i>		
Inventory	2,463,221	-
Total commitments	5,132,190	-

Capital commitments relate to the expansion of manufacturing capacity to support growth. Plant and equipment to be purchased includes additional tooling, assembly lines and associated machinery to support increased production of Atomo's suite of devices.

Inventory commitments relate to volumes of devices committed to be purchased throughout the year for sale to customers.

Note 24. Related party transactions

Parent entity:

Atomo Diagnostics Limited is the parent entity.

Subsidiaries:

Interests in subsidiaries are set out in Note 26.

Key management personnel compensation:

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	2020	2019
Short-term employee benefits	981,089	284,605
Post-employment benefits	55,928	26,600
Long-term benefits	26,356	4,000
Share-based payments	164,302	144,312
Total key management personnel compensation	<u>1,227,675</u>	<u>459,517</u>

Further details relating to key management personnel compensation are set out in the remuneration report included in the directors' report.

Transactions with other related parties:

Transactions between related parties are on normal commercial terms and conditions and no more favourable than those available to other parties, unless stated otherwise. The following transactions occurred with related parties:

	Consolidated	
	2020	2019
ID&E Pty Ltd, a company controlled by Mr George Sidis, previously a Non-Executive Director of the Company, provided the following services during the year:		
Purchase of inventory	1,383,733	399,676
Research and development	1,524,861	1,242,145
Plant and equipment	670,401	599,357
Other services	560,306	168,332
Total	<u>4,139,301</u>	<u>2,409,510</u>

Mr George Sidis resigned as a Director of Atomo on 3 February 2020. A significant portion of the transactions noted above occurred while Mr George Sidis was a director of Atomo.

At the end of the financial year, the following amounts were shown owing to related parties in trade and other payables:

<u>640,615</u>	<u>392,073</u>
----------------	----------------

Key management personnel transactions:

Directors and other key management personnel hold 28.2% of the issued capital of the Company as at 30 June 2020 (2019: 44%).

Loans from related parties:

Curt LaBelle is a Non-Executive Director of the Company and is also President of GHIF. During the year, the Group had borrowings from GHIF, further details of which can be found at Note 13. GHIF is also a substantial shareholder of the Company holding 11.38% of the issued capital of the Company as at 30 June 2020 (2019: 11.9%).

Atomo Diagnostics Limited
Notes to the financial statements
30 June 2020

Note 25. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2020	2019
Loss for the year	<u>(9,392,919)</u>	<u>(3,701,142)</u>
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	<u>(9,392,919)</u>	<u>(3,701,142)</u>

Statement of financial position

	Parent	
	2020	2019
<i>Assets</i>		
Total current assets	<u>38,388,486</u>	<u>7,139,760</u>
Total non-current assets	<u>2,787,862</u>	<u>1,927,679</u>
Total assets	<u>41,176,348</u>	<u>9,067,439</u>
<i>Liabilities</i>		
Total current liabilities	<u>1,447,299</u>	<u>3,194,605</u>
Total non-current liabilities	<u>105,023</u>	<u>6,422,270</u>
Total liabilities	<u>1,552,322</u>	<u>9,616,875</u>
Total net assets	<u>39,624,026</u>	<u>(549,436)</u>
<i>Equity</i>		
Share capital	66,514,571	17,110,055
Share based payment reserve	746,970	585,105
Retained earnings	<u>(27,637,515)</u>	<u>(18,244,596)</u>
Total equity	<u>39,624,026</u>	<u>(549,436)</u>

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
None.

Contingent liabilities
The contingent liability described in Note 22 is attributable to the parent entity. (2019: Nil).

Commitments
100% of the commitments disclosed at Note 23 are attributable to the parent entity (2019: Nil).

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in Note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Atomo Diagnostics Limited
Notes to the financial statements
30 June 2020

Note 26. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries and branch operations in accordance with the accounting policy described in Note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2020 %	2019 %
Parent entity:			
Atomo Diagnostics Limited	Australia		
Subsidiaries:			
Atomo Australia Pty Limited	Australia	100%	100%
Atomo Limited	United Kingdom	100%	100%
Branch operations:			
Atomo South Africa (operating branch of Atomo Australia Pty Limited)	South Africa	100%	100%

Note 27. Events after the reporting period

No matter or circumstance has arisen since 30 June 2020 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.

Atomo Diagnostics Limited
Notes to the financial statements
30 June 2020

Note 28. Earnings per share

	Consolidated 2020	2019
Loss after income tax attributable to the owners of Atomo Diagnostics Limited	(9,613,954)	(5,083,335)
-	-	-
Loss after income tax attributable to the owners of Atomo Diagnostics Limited used in calculating diluted earnings per share	<u>(9,613,954)</u>	<u>(5,083,335)</u>
	Cents	Cents
Basic earnings per share	(2.71)	(1.82)
Diluted earnings per share	(2.71)	(1.82)
	Number	Number
<i>Weighted average number of ordinary shares:</i>		
Weighted average number of ordinary shares used in calculating basic earnings per share	355,359,884	278,775,434
Adjustments for calculation of diluted earnings per share:		
No adjustments given that in a loss situation, this would be anti-dilutive.	-	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>355,359,884</u>	<u>278,775,434</u>

The weighted average number of ordinary shares used in the calculation for earnings per share for 2019 and 2020 has been amended to reflect the 1:8 share split which took place during the 2020 year.

Note 29. Share-based payments

Atomo has issued options under an “pre-IPO option plan” and a “new option plan”. Refer to the Remuneration Report set out in the Directors’ Report for further details regarding each of these option plans.

Set out below are summaries of options granted under the pre-IPO and new option plans. All option quantities quoted are on a post share split basis:

2020							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year
20/04/2012	14 April 2022	\$0.03	480,000	-	(480,000)	-	-
21/11/2012	14 April 2022	\$0.03	8,862,624	-	(6,569,440)	-	2,293,184
27/06/2014	14 April 2022	\$0.08	800,000	-	(800,000)	-	-
24/11/2016	24/11/2020	\$0.16	10,400,000	-	(5,400,000)	-	5,000,000
06/04/2017	06/04/2021	\$0.16	4,800,000	-	(1,200,000)	-	3,600,000
06/04/2018	06/04/2022	\$0.16	9,200,000	-	(2,400,000)	-	6,800,000
15/09/2018	15/09/2022	\$0.16	2,000,000	-	(1,200,000)	-	800,000
11/04/2019	11/04/2023	\$0.16	4,800,000	-	-	-	4,800,000
14/04/2020	14/04/2024	\$0.25	-	2,799,999	-	-	2,799,999
14/04/2020	14/04/2025	\$0.25	-	2,799,999	-	-	2,799,999
14/04/2020	14/04/2026	\$0.25	-	2,800,002	-	-	2,800,002
			41,342,624	8,400,000	(18,049,440)	-	31,693,184
Weighted average exercise price			\$0.13	\$0.25	\$0.11	n/a	\$0.17

Atomo Diagnostics Limited
Directors' declaration
Year ended 30 June 2020

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors:



John Keith
Chairman

31 August 2020
Sydney

INDEPENDENT AUDITOR'S REPORT

To the members of Atomo Diagnostics Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Atomo Diagnostics Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the Corporations Act 2001, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Report section of our report. We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (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.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition and conversion of financial instruments

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>As set out in note 13, the Group issued convertible notes amounting to a face value of \$16m during the year which were subsequently converted into common shares upon Initial Public Offering (IPO). In addition the Group paid back their USD\$6m GHIF loan during the period. Accounting for these notes and borrowings and the subsequent measurement is complex and the valuation requires significant judgement. The conversion price clause attached to the convertible notes and the warrants attached to the GHIF loan were in both cases defined as a separate derivative liability and segregated from the host instrument. A valuation exercise was carried out by management at initial recognition and immediately before conversion with respect to these derivative liabilities, which required judgement and estimation. The derivative liability is measured at fair value through profit and loss. The liability component of both financial instruments is measured at amortised costs using the effective interest rate method.</p> <p>The audit of these financial instruments is a key audit matter due to the significant judgment and complexity involved in assessing the determination of the fair value of the identified derivative liabilities and the complexities within the effective interest rate method.</p>	<p>Our procedures, amongst others, included:</p> <ul style="list-style-type: none"> • Review the convertible debt and borrowing agreements held to verify whether the input used within the different calculations is appropriately; • Review the calculated effective interest rate method to account for the unwinding of the liability component of the borrowings and convertible note; • Review the fair value calculation of the derivative liabilities upon initial recognition and right before conversion and whether the movement was accounted for through profit and loss; and • Verify whether the recognition and conversion of these financial instruments is in accordance with Australian Accounting Standards.

Revenue recognition

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
As disclosed in Note 3, the Group recognised revenue from the sale of goods of \$5,368,698 for the year ended 30 June 2020. Revenue was identified as a key audit matter as it is a key performance indicator to the users of the financial report.	<p>Our procedures, amongst others, included:</p> <ul style="list-style-type: none"> • Considering whether the revenue recognition policies are in accordance with Australian Accounting Standards and the Group’s accounting policies described in Note 1; • Substantive testing around year end to ensure that revenue is correctly recorded in the period to which it relates; and • Select a sample of revenue transactions during the year and substantively test to ensure that the revenues have been appropriately reflected in the financial statements for the year ended 30 June 2020.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group’s annual report for the year ended 30 June 2020, but does not include the financial report and the auditor’s report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related 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 has no realistic alternative but to do so.



Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Atomo Diagnostics Limited, for the year ended 30 June 2020, 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.

BDO Audit Pty Ltd

A handwritten signature in black ink that reads 'Gareth Few'. Above the signature, the letters 'BDO' are written in a stylized, cursive font.

Gareth Few
Director

Sydney, 31 August 2020

Atomo Diagnostics Limited
Shareholder information
30 June 2020

The shareholder information set out below was applicable as at 30 June 2020.

Distribution of equitable securities:

Analysis of number of equitable security holders by size of holding:

	Number of holders	Number of shares
1 to 1,000	444	375,083
1,001 to 5,000	3,400	8,755,344
5,001 to 10,000	1,290	10,611,039
10,001 to 100,000	2,242	73,084,287
100,001 and over	338	468,252,054
Total	<u>7,714</u>	<u>561,077,807</u>

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Number held	Ordinary shares % of total shares issued
Dalraida Holdings Pty Ltd	66,160,000	11.79
Global Health Investment Fund LLC	63,851,280	11.38
Walker Group Holdings Pty Ltd	46,660,718	8.32
National Nominees Limited	36,351,384	6.48
HSBC Custody Nominees	17,023,242	3.03
Blueflag Holdings Pty Ltd	13,760,000	2.45
Grand Challenges Canada	11,390,824	2.03
J P Morgan Nominees Australia	11,126,105	1.98
Livebird Pty Ltd	9,731,653	1.73
Sokolov Pty Limited	9,415,077	1.68
ID & E Pty Ltd	9,032,248	1.61
Mark Andrew Smith	7,790,224	1.39
HSBC Custody Nominees	7,718,238	1.38
John Michael Kelly	7,370,248	1.31
Leo James Lynch & Judith Anne Beswick	7,321,121	1.30
BNP Paribas Noms Pty Ltd	6,965,741	1.24
Mr Ian Fredrick Johnson	6,379,560	1.14
Citicorp Nominees Pty Limited	5,983,958	1.07
Bosana Nominees Pty Limited	5,881,496	1.05
Ruth Karen Devney	5,626,408	1.00
Total top 20 shareholders	<u>355,539,525</u>	<u>63.37</u>

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	31,693,184	16

Atomo Diagnostics Limited
Shareholder information
30 June 2020

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
John Kelly	73,530,248	13.11
Global Health Investment Fund LLC	63,851,280	11.38
Walker Group Holdings Pty Ltd	46,660,718	8.32
Perennial Value Management Limited	41,762,504	7.44
Ellerston Capital Limited	34,375,000	6.13
Total substantial shareholders	<u>260,179,750</u>	<u>46.37</u>

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

Restricted securities

Class	Expiry date	Number of shares
Ordinary shares	16 April 2022	156,307,471
		<u>156,307,471</u>

Securities subject to voluntary escrow

Class	Expiry date	Number of shares
Ordinary shares	27 August 2020	19,775,112
Ordinary shares	27 February 2021	49,106,320
		<u>68,881,432</u>