



# BirdDog Australia Pty Ltd and controlled entity

ABN: 45 612 531 245

## **Consolidated Financial report**

For the year ended 30 June 2021

***Pitcher Partners***

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**BIRDDOG AUSTRALIA PTY LTD AND CONTROLLED ENTITY**

**ABN: 45 612 531 245**

**DIRECTORS' REPORT**

The Directors present their report together with the financial report of BirdDog Australia Pty Ltd (the "Company") and its controlled entity (the "Group"), for the year ended 30 June 2021 and auditor's report thereon.

**Directors names**

The names of the Directors in office at any time during or since the end of the year are:

Daniel Miall

Eamon Drew

The Directors have been in office since the start of the year to the date of this report unless otherwise stated.

**Results**

The profit of the Group for the year after providing for income tax amounted to \$1,354,034 (2020: loss \$668,350).

**Review of operations**

The Group continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

**Significant changes in state of affairs**

On 15 June 2021, the BirdDog Australia Pty Ltd issued convertible notes with a face value of \$13,750,000 to wholesale investors. The convertible note has a maturity date of 12 months from issue, with coupon interest payable every 6 months in arrears at a rate of 8.0% per annum. The convertible notes automatically convert to ordinary shares on completion of an Initial Public Offering at a variable conversion price determined by the IPO price. If the Initial Public Offering does not go ahead, the convertible notes are repayable on maturity.

Aside from the above, there were no other significant changes in the Group's state of affairs that occurred during the financial year, other than those referred to elsewhere in this report.

**Principal activities**

The principal activity of the Group during the year was the sale of cameras and converter products & software for the broadcast and audiovisual (AV) markets globally.

No significant change in the nature of these activities occurred during the year.

## **BIRDDOG AUSTRALIA PTY LTD AND CONTROLLED ENTITY**

**ABN: 45 612 531 245**

### **DIRECTORS' REPORT**

#### **After balance date events**

On 31 July 2021, BirdDog Australia Pty Ltd entered into a share based payment transaction to acquire the remaining 50% interest in IP rights the Group co-developed. The IP rights acquired will be recorded as an intangible asset at their fair value which equates to approximately \$400,000. As a result of the shareholders of BirdDog Australia Pty Ltd entering into an equity settled share based payment with the counterparty, this will be recorded through a share based payments reserve.

Except for COVID-19 and subsequent government actions, the impact of which on the Group cannot reasonably be determined with certainty at this time, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

#### **Likely developments**

The Group expects to continue to execute its growth plans and plan for an Initial Public Offering during the second half of 2021.

#### **Environmental regulation**

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

#### **Dividends paid, recommended and declared**

No dividends were paid or declared since the start of the year. No recommendation for payment of dividends has been made.

#### **Options and share rights**

Effective 1 April 2019, BirdDog Australia Pty Ltd entered into a remuneration contract with the Group's first employee. The employee will receive a 2.5% interest in ordinary shares of BirdDog Australia Pty Ltd should a sale event or Initial Public Offering occur.

On 14 March 2021, BirdDog Australia Pty Ltd engaged PAC Partners as lead manager to provide capital raising services. In lieu of a retainer, BirdDog Australia Pty Ltd issued options equivalent to 2.5% of the post-money fully diluted capital structure of the Company at the date of the anticipated Initial Public Offering.

#### **Indemnification of officers**

During or since the end of the year, the Group has given indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums in order to indemnify the Directors of the Group against liabilities that may arise from their position as Directors of the Group..

Further disclosure required under section 300(9) of the *Corporations Act 2001* is prohibited under the terms of the contract.

**BIRDDOG AUSTRALIA PTY LTD AND CONTROLLED ENTITY**

**ABN: 45 612 531 245**

**DIRECTORS' REPORT**

**Indemnification of auditors**

No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been an auditor of the Group.

**Auditor's independence declaration**


A copy of the auditor's independence declaration in relation to the audit for the financial year is provided with this report.

**Proceedings on behalf of the Group**

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

Signed on behalf of the Directors.

Director: \_\_\_\_\_



Daniel Miall

Director: \_\_\_\_\_



Eamon Drew

Dated this 22nd day of September 2021

**BIRDDOG AUSTRALIA PTY LTD AND CONTROLLED ENTITY**  
**ABN: 45 612 531 245**

**AUDITOR'S INDEPENDENCE DECLARATION**  
**TO THE DIRECTORS OF BIRDDOG AUSTRALIA PTY LTD**

In relation to the independent audit for the year ended 30 June 2021, to the best of my knowledge and belief there have been:


- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

This declaration is in respect of BirdDog Australia Pty Ltd and the entities it controlled during the year.



F V RUSSO

Partner



PITCHER PARTNERS

Melbourne

Date: 22 September 2021

**BIRDDOG AUSTRALIA PTY LTD AND CONTROLLED ENTITY**  
**ABN: 45 612 531 245**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2021**

	Note	2021 \$	2020 \$
<b>Revenue and other income</b>			
Revenue from contracts with customers	5	38,215,539	9,485,007
Other revenue and other income	6	<u>273,809</u>	<u>525,200</u>
		<u>38,489,348</u>	<u>10,010,207</u>
<b>Less: expenses</b>			
Cost of sales	7	(28,739,095)	(6,989,912)
Advertising expense		(71,492)	(139,415)
Depreciation and amortisation expense	7	(74,186)	(55,103)
Employee benefits expense	7	(3,295,136)	(828,441)
Finance costs	7	(616,212)	(237,247)
Research and development costs	7	(991,244)	(317,785)
Professional fees		(523,468)	(145,079)
Software licensing fees		(2,063,080)	(483,816)
Other expenses	7	<u>(434,935)</u>	<u>(276,806)</u>
		<u>(36,808,848)</u>	<u>(9,473,604)</u>
<b>Profit before income tax expense</b>		1,680,500	536,603
Income tax (expense) / benefit	8	<u>(326,466)</u>	<u>131,747</u>
<b>Net profit from continuing operations</b>		<u>1,354,034</u>	<u>668,350</u>
<b>Other comprehensive loss</b>			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Exchange differences on translation of foreign operations		<u>(8,068)</u>	<u>(3,241)</u>
<b>Other comprehensive loss for the year</b>		<u>(8,068)</u>	<u>(3,241)</u>
<b>Total comprehensive income</b>		<u><u>1,345,966</u></u>	<u><u>665,109</u></u>

The accompanying notes form part of these financial statements.

**BIRDDOG AUSTRALIA PTY LTD AND CONTROLLED ENTITY**

**ABN: 45 612 531 245**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**AS AT 30 JUNE 2021**

	<b>Note</b>	<b>2021</b> <b>\$</b>	<b>2020</b> <b>\$</b>
<b>Current assets</b>			
Cash and cash equivalents	9	9,257,521	789,120
Receivables	10	620,903	1,430,787
Inventories	11	11,269,815	851,150
Other assets	12	<u>187,853</u>	<u>256,550</u>
<b>Total current assets</b>		<u><b>21,336,092</b></u>	<u><b>3,327,607</b></u>
<b>Non-current assets</b>			
Lease assets	13	122,179	73,904
Deferred tax assets	8	107,601	131,747
Plant and equipment	14	<u>63,342</u>	<u>7,813</u>
<b>Total non-current assets</b>		<u><b>293,122</b></u>	<u><b>213,464</b></u>
<b>Total assets</b>		<u><b>21,629,214</b></u>	<u><b>3,541,071</b></u>
<b>Current liabilities</b>			
Payables	15	1,649,195	2,604,444
Lease liabilities	13	53,709	50,400
Borrowings	16	13,963,312	1,089,334
Provisions	17	256,459	136,045
Current tax liabilities	8	302,320	-
Other financial liabilities	18	4,833,378	-
Contract liabilities	19	<u>46,142</u>	<u>789,902</u>
<b>Total current liabilities</b>		<u><b>21,104,515</b></u>	<u><b>4,670,125</b></u>
<b>Non-current liabilities</b>			
Lease liabilities	13	73,203	27,198
Provisions	17	<u>36,572</u>	<u>14,352</u>
<b>Total non-current liabilities</b>		<u><b>109,775</b></u>	<u><b>41,550</b></u>
<b>Total liabilities</b>		<u><b>21,214,290</b></u>	<u><b>4,711,675</b></u>
<b>Net assets</b>		<u><b>414,924</b></u>	<u><b>(1,170,604)</b></u>
<b>Equity</b>			
Share capital	20	250,010	250,010
Reserves	21	249,031	17,537
Accumulated losses	22	<u>(84,117)</u>	<u>(1,438,151)</u>
<b>Total equity</b>		<u><b>414,924</b></u>	<u><b>(1,170,604)</b></u>

The accompanying notes form part of these financial statements.



**BIRDDOG AUSTRALIA PTY LTD AND CONTROLLED ENTITY**  
**ABN: 45 612 531 245**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2021**

	Share capital \$	Reserves \$	Accumulated losses \$	Total equity \$
<b>Balance as at 1 July 2019</b>	250,010	(2,706)	(2,106,501)	(1,859,197)
Profit for the year	-	-	668,350	668,350
Other comprehensive loss for the year	-	(3,241)	-	(3,241)
<b>Total comprehensive income for the year</b>	-	(3,241)	668,350	665,109
<b>Transactions with owners in their capacity as owners:</b>				
Share based payments recognised in profit and loss	-	23,484	-	23,484
<b>Total transactions with owners in their capacity as owners</b>	-	23,484	-	23,484
<b>Balance as at 30 June 2020</b>	<u>250,010</u>	<u>17,537</u>	<u>(1,438,151)</u>	<u>(1,170,604)</u>
<b>Balance as at 1 July 2020</b>	250,010	17,537	(1,438,151)	(1,170,604)
Profit for the year	-	-	1,354,034	1,354,034
Other comprehensive loss for the year	-	(8,068)	-	(8,068)
<b>Total comprehensive income for the year</b>	-	(8,068)	1,354,034	1,345,966
<b>Transactions with owners in their capacity as owners:</b>				
Share based payments recognised in profit and loss	-	99,562	-	99,562
Share based payments capitalised on recognition of convertible notes	-	140,000	-	140,000
<b>Total transactions with owners in their capacity as owners</b>	-	239,562	-	239,562
<b>Balance as at 30 June 2021</b>	<u>250,010</u>	<u>249,031</u>	<u>(84,117)</u>	<u>414,924</u>

The accompanying notes form part of these financial statements.

**BIRDDOG AUSTRALIA PTY LTD AND CONTROLLED ENTITY**  
**ABN: 45 612 531 245**

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

	Note	2021 \$	2020 \$
<b>Cash flow from operating activities</b>			
Receipts from customers		38,465,969	9,223,602
Government grants received		376,867	408,804
Payments to suppliers and employees		(46,225,471)	(9,338,463)
Interest received		321	162
Finance costs		<u>(376,294)</u>	<u>(167,558)</u>
<b>Net cash (used in) / provided by operating activities</b>	23(b)	<u>(7,758,608)</u>	<u>126,547</u>
<b>Cash flow from investing activities</b>			
Payment for property, plant and equipment		<u>(66,606)</u>	<u>(4,241)</u>
<b>Net cash used in investing activities</b>		<u>(66,606)</u>	<u>(4,241)</u>
<b>Cash flow from financing activities</b>			
Proceeds from convertible notes	23(d)	13,750,000	-
Transaction costs on convertible note raise	23(d)	(550,000)	-
Repayment of director related party loans	23(d)	(1,277,969)	(4,682)
Net proceeds from short term borrowings	23(d)	4,440,686	667,053
Principal portion of lease payments		<u>(69,102)</u>	<u>(45,576)</u>
<b>Net cash provided by financing activities</b>		<u>16,293,615</u>	<u>616,795</u>
<b>Reconciliation of cash</b>			
Cash at beginning of the financial year		789,120	50,019
Net increase in cash held		<u>8,468,401</u>	<u>739,101</u>
<b>Cash at end of financial year</b>	23(a)	<u><u>9,257,521</u></u>	<u><u>789,120</u></u>

The accompanying notes form part of these financial statements.

**BIRDDOG AUSTRALIA PTY LTD AND CONTROLLED ENTITY**  
**ABN: 45 612 531 245**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Interpretations and other applicable authoritative pronouncements of the Australian Accounting Standards Board.

This financial report is the first financial report of the Group prepared as a general purpose financial report. The prior year financial report was a special purpose financial report prepared in accordance with the recognition and measurement requirements of all Australian Accounting Standards and the disclosure requirements of some, but not all, Australian Accounting Standards. The transition from the previous financial reporting framework to a general purpose financial report has not affected the Group's reported financial position, financial performance and cash flows.

The financial report covers BirdDog Australia Pty Ltd and its consolidated entity. BirdDog Australia Pty Ltd is a Group limited by shares, incorporated and domiciled in Australia. BirdDog Australia Pty Ltd is a for-profit entity for the purpose of preparing the financial statements.

The financial report was approved by the Directors as at the date of the Directors' report.

The following are the significant accounting policies adopted by the Group in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

**(a) Basis of preparation of the financial report**

*Compliance with IFRS*

The financial report also complies with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

*Historical Cost Convention*

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets and liabilities as described in the accounting policies.

**COVID-19**

Judgement has been exercised in considering the impacts that the COVID-19 pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the services offered, customers and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the COVID-19 pandemic.

**BIRDDOG AUSTRALIA PTY LTD AND CONTROLLED ENTITY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(a) Basis of preparation of the financial report (Continued)**

*Fair value measurement*

For financial reporting purposes, 'fair value' is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants (under current market conditions) at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

When estimating the fair value of an asset or liability, the entity uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to valuation techniques used to measure fair value are categorised into three levels according to the extent to which the inputs are observable:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

*Significant accounting estimates and judgements*

The preparation of the financial report requires the use of certain estimates and judgements in applying the Group's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 2 to the financial statements.

**(b) Going concern**

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Group earned a profit from ordinary activities of \$1,354,034 (2020: \$668,350) and at reporting date total assets exceeded total liabilities by \$414,924 (2020: net asset deficiency (\$1,170,604)) and current assets exceeded current liabilities by \$231,577.

The Directors have assessed that the Group will continue as a going concern based on the following:

- The Group issued convertible notes on 15 June 2021 with a face value of \$13,750,000 to wholesale investors. The convertible notes have a maturity date of 9 June 2022, with coupon interest payable every 6 months in arrears at a rate of 8.0% per annum. The convertible notes automatically convert to ordinary shares on completion of an Initial Public Offering at a variable conversion price determined by the IPO price. If the Group is unsuccessful in raising capital through an Initial Public Offering, noteholders have discretion to either convert their notes ordinary shares or request repayment of the principle multiplied by a factor of 1.2 plus accrued interest.

**BIRDDOG AUSTRALIA PTY LTD AND CONTROLLED ENTITY**  
**ABN: 45 612 531 245**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(b) Going concern (Continued)**

- The Group's finance facilities are due for review on 30 September 2021. As at the date of the financial report, the Group's financiers are currently finalising their review of the facility which is expected to be renewed by the end of September 2021.

Although the outcome of both the anticipated Initial Public Offering and renewal of the trade loan facility cannot be predicted with certainty, the Directors are confident that the Group is a going concern due to the following circumstances:

- During the year ended 30 June 2021, the Group maintained compliance with its terms and conditions of its finance facilities. Based on the Group's forecast and budgets for the next 12 months the Directors are confident that the Group's existing financier will continue to provide support. In the unlikely event this does not occur the Directors believe they will be able to obtain finance from an alternative financier.
- The Group will apply for in-principle advice on the suitability of the Group for listing on the ASX on signing of the 2021 financial report. The Group is currently in the process of preparing its prospectus for lodgement with the ASX, with the intention of completing an Initial Public Offering on or before 8 December 2021. As such, the convertible notes are anticipated to mandatorily convert to ordinary shares on this date.
- In the unlikely event that an Initial Public Offering does not occur on or before maturity of the convertible notes, the Group's budgets and forecasts anticipate that the Group will be able to generate sufficient funds to repay the convertible note holders on maturity.

On this basis no adjustments have been made to the financial report relating to the recoverability and classification of the carrying amount of assets or the amount and classification of liabilities that might be necessary should the Group not continue as a going concern. Accordingly, the financial report has been prepared on a going concern basis.

Should the Group be unsuccessful with the initiatives detailed above then, the Group may in the future not be able to continue as a going concern and may therefore be required to realise assets and extinguish liabilities other than in the ordinary course of business with the amount realised being different from those shown in the financial statements.

**(c) Revenue from contracts with customers**

The Group derives revenue predominantly from the sale of cameras and converter products & software for the broadcast and audiovisual (AV) markets globally.

*Core product sales*

Revenue from core product sales is recognised as, or when, control of the goods has passed to the customer, and is measured at an amount that reflects the consideration to which the Group expects to be entitled in exchange for the goods.

**BIRDDOG AUSTRALIA PTY LTD AND CONTROLLED ENTITY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Software licensing fees*

Revenue from software licensing fees is recognised over the period which services are provided to the customer based on the subscription term, and is measured at an amount that reflects the consideration to which the Group expects to be entitled in exchange for the services.

**(d) Other revenue and other income**

*Research and Development Tax Incentives*

The Group qualifies for the Research and Development Tax Incentive, which results in the Group obtaining a tax offset for eligible research and development activities. Where the Group expects to receive the tax offset in the form of a refund, the amount is accrued in the statement of financial position at fair value of the tax offset receivable and is presented as government grant income in the statement of profit and loss and other comprehensive income. Where the Group will receive the tax offset in the form of a reduction in tax payable, the amount is recognised in the statement of financial position as a reduction in the current tax liability.

*Interest*

Interest revenue is measured in accordance with the effective interest method.

All revenue is measured net of the amount of goods and services tax (GST).

**(e) Government grants**

Government grants are recognised when there is reasonable certainty that the grant will be received and all grant conditions are met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating.

Government grants include amounts received or receivable under the Federal Government's Cash Flow Boost Scheme, which provides a temporary subsidy to eligible businesses significantly affected by coronavirus (Covid-19).

**(f) Income tax**

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not recognised if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

**BIRDDOG AUSTRALIA PTY LTD AND CONTROLLED ENTITY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(f) Income tax (Continued)**

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

**(g) Cash and cash equivalents**

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

**(h) Principles of consolidation**

The consolidated financial statements are those of the consolidated entity ("the Group"), comprising the financial statements of the parent entity and the entity the parent controls. The Group controls an entity where it has the power, for which the parent has exposure or rights to variable returns from its involvement with the entity, and for which the parent has the ability to use its power over the entity to affect the amount of its returns.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Subsidiaries are consolidated from the date on which control is obtained by the Group and are de-recognised from the date that control ceases.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as non-controlling interests. Non-controlling interests are initially recognised either at fair value or at the non-controlling interests' proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. Non-controlling interests in the results of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of financial position respectively.

**(i) Foreign currency transactions and balances**

*Functional and presentation currency*

The financial statements of each entity within the Group is measured using the currency of the primary economic environment in which that entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars which is the consolidated entity's functional and presentation currency.

**BIRDDOG AUSTRALIA PTY LTD AND CONTROLLED ENTITY**  
**ABN: 45 612 531 245**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(i) Foreign currency transactions and balances (Continued)**

*Transactions and Balances*

Transactions in foreign currencies of entities within the consolidated Group are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are restated to the spot rate at the reporting date.

Except for certain foreign currency hedges, all exchange gains or losses are recognised in profit or loss for the period in which they arise.

Subsidiaries that have a functional currency different from the presentation currency of the Group are translated as follows:

- Assets and liabilities are translated at the closing rate on reporting date;
- Income and expenses are translated at actual exchange rates or average exchange rates for the period, where appropriate; and
- All resulting exchange differences are recognised in other comprehensive income.

**(j) Financial instruments**

*Classification of financial assets*

Financial assets recognised by the Group are subsequently measured in their entirety at either amortised cost or fair value, subject to their classification and whether the Group irrevocably designates the financial asset on initial recognition at fair value through other comprehensive income (FVtOCI) in accordance with the relevant criteria in AASB 9.

Financial assets not irrevocably designated on initial recognition at FVtOCI are classified as subsequently measured at amortised cost, FVtOCI or fair value through profit or loss (FVtPL) on the basis of both:

- (a) the Group's business model for managing the financial assets; and
- (b) the contractual cash flow characteristics of the financial asset.

*Trade and other receivables*

Trade and other receivables arise from the Group's transactions with its customers and are normally settled within 14 days.

Consistent with both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the assets, trade and other receivables are subsequently measured at amortised cost.



**BIRDDOG AUSTRALIA PTY LTD AND CONTROLLED ENTITY**  
**ABN: 45 612 531 245**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(j) Financial instruments (Continued)**

*Financial liabilities at amortised cost*

Financial liabilities at amortised cost include trade payables, other creditors, loans from related parties and bank loans.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

*Convertible notes*

Convertible notes are debt instruments that have the following features:

- The notes mandatorily convert to ordinary shares in the event of an Initial Public Offering ("IPO") or an exit event;
- The noteholders have an option to convert their notes into ordinary shares or redeem their notes at face value on maturity

The convertible notes contain an embedded derivative, which has been separated from the host debt contract, and measured separately. The fair value of the embedded derivative is measured at the date the Group entered into the Deed, and is measured at fair value through profit or loss. The host debt contract is then measured based on the difference between the face value of the convertible notes and the embedded derivative.

The host debt contract is measured at amortised cost net of transaction costs, which is amortised under the effective interest rate method. The embedded derivative is measured at fair value through profit and loss at reporting date.

*Impairment of financial assets*

The following financial assets are tested for impairment by applying the 'expected credit loss' impairment model:

**(a) receivables from contracts with customers**

The Group applies the simplified approach under AASB 9 to measuring the allowance for credit losses for receivables from contracts with customers. Under the AASB 9 simplified approach, the Group determines the allowance for credit losses for receivables from contracts with customer on the basis of the lifetime expected credit losses of the financial asset. Lifetime expected credit losses represent the expected credit losses that are expected to result from default events over the expected life of the financial asset.

For all other financial assets subject to impairment testing, when there has been a significant increase in credit risk since the initial recognition of the financial asset, the allowance for credit losses is recognised on the basis of the lifetime expected credit losses. When there has not been an increase in credit risk since initial recognition, the allowance for credit losses is recognised on the basis of 12-month expected credit losses. '12-month expected credit losses' is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

**BIRDDOG AUSTRALIA PTY LTD AND CONTROLLED ENTITY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(j) Financial instruments (Continued)**

The Group consider a range of information when assessing whether the credit risk has increased significantly since initial recognition. This includes such factors as the identification of significant changes in external market indicators of credit risk, significant adverse changes in the financial performance or financial position of the counterparty, significant changes in the value of collateral, and past due information.

The Group assumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 120 days past due.

The gross carrying amount of a financial asset is written off (i.e., reduced directly) when the counterparty is in severe financial difficulty and the Group has no realistic expectation of recovery of the financial asset. Financial assets written off remain subject to enforcement action by the Group. Recoveries, if any, are recognised in profit or loss.

**(k) Inventories**

Inventories are measured at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Deposits on inventory represents deposits placed with suppliers under commercial agreements in place for purchase orders of inventory that have not been received prior to the end of the reporting period.

**(l) Plant and equipment**

Each class of plant and equipment is measured at cost or fair value less, where applicable, any accumulated depreciation and any accumulated impairment losses.

*Plant and equipment*

Plant and equipment is measured at cost, less accumulated depreciation and any accumulated impairment losses.

*Depreciation*

The depreciable amount of all other plant and equipment is depreciated over their estimated useful lives commencing from the time the asset is held available for use, consistent with the estimated consumption of the economic benefits embodied in the asset.

<b>Class of fixed asset</b>	<b>Depreciation rates</b>	<b>Depreciation basis</b>
Computer equipment at cost	33.33%	Straight line

**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(m) Employee benefits**

*(i) Short-term employee benefit obligations*

Liabilities arising in respect of wages and salaries, annual leave and other employee benefits (other than termination benefits) expected to be settled wholly before twelve months after the end of the reporting period are measured at the (undiscounted) amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables in the consolidated statement of financial position.

*(ii) Long-term employee benefit obligations*

The provision for other long-term employee benefits, including obligations for long service leave and annual leave, which are not expected to be settled wholly before twelve months after the end of the reporting period, are measured at the present value of the estimated future cash outflow to be made in respect of the services provided by employees up to the reporting date. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee turnover, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. For currencies in which there is no deep market in such high quality corporate bonds, the market yields (at the end of the reporting period) on government bonds denominated in that currency are used. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the change occurs.

Other long-term employee benefit obligations are presented as current liabilities in the consolidated statement of financial position if the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur. All other long-term employee benefit obligations are presented as non-current liabilities in the consolidated statement of financial position.

*(iii) Retirement benefit obligations*

*Defined contribution superannuation plan*

The Group makes superannuation contributions to the employee's defined contribution superannuation plan of choice in respect of employee services rendered during the year. These superannuation contributions are recognised as an expense in the same period when the related employee services are received. The Group's obligation with respect to employee's defined contributions entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the consolidated statement of financial position.

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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(m) Employee benefits (Continued)**

*(iv) Bonus plan*

The Group has a discretionary bonus policy in place. A provision for bonuses is recognised once the Directors have resolved to pay a bonus to employees and the amount can be reliably measured.

**(n) Share based payments**

The Group has various arrangements in place with employees and professional advisors in respect of share based payments. The fair value of the equity to which employees or professional advisors become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

**(o) Research and development expenditure**

Expenditure on research and development activities is recognised as an expense when incurred. The Group has determined expenditure incurred does not meet the recognition criteria under AASB 138 Intangible Assets and has therefore been recognised as an expense in the statement of profit and loss and other comprehensive income.

**(p) Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(q) Leases**

At the commencement date of a lease (other than leases of 12-months or less and leases of low value assets), the Group recognises a lease asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

*Lease assets*

Lease assets are initially recognised at cost, comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date of the lease, less any lease incentives received, any initial direct costs incurred by the Group, and an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequent to initial recognition, lease assets are measured at cost (adjusted for any remeasurement of the associated lease liability), less accumulated amortisation and any accumulated impairment loss.

Lease assets are amortised over the shorter of the lease term and the estimated useful life of the underlying asset, consistent with the estimated consumption of the economic benefits embodied in the underlying asset.

*Lease liabilities*

Lease liabilities are initially recognised at the present value of the future lease payments (i.e., the lease payments that are unpaid at the commencement date of the lease). These lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Group's incremental borrowing rate.

Subsequent to initial recognition, lease liabilities are measured at the present value of the remaining lease payments (i.e., the lease payments that are unpaid at the reporting date). Interest expense on lease liabilities is recognised in profit or loss (presented as a component of finance costs). Lease liabilities are remeasured to reflect changes to lease terms, changes to lease payments and any lease modifications not accounted for as separate leases.

Variable lease payments not included in the measurement of lease liabilities are recognised as an expense when incurred.

*Leases of 12-months or less and leases of low value assets*

Lease payments made in relation to leases of 12-months or less and leases of low value assets (for which a lease asset and a lease liability has not been recognised) are recognised as an expense on a straight-line basis over the lease term.

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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(r) Goods and services tax (GST)**

Revenues, expenses and purchased assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the consolidated statement of financial position are shown inclusive of GST.

Cash flows are presented in the consolidated statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**(s) Events after the reporting period**

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial report is authorised for issue.

The amounts recognised in the financial statements reflect events after the reporting period that provide evidence of conditions that existed at the reporting date. Whereas, events after the reporting period that are indicative of conditions that arose after the reporting period (i.e., which did not exist at the reporting date) are excluded from the determination of the amounts recognised in the financial statements.

**(t) Comparatives**

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

**BIRDDOG AUSTRALIA PTY LTD AND CONTROLLED ENTITY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 2: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

*(a) Income tax*

Deferred tax assets and liabilities are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences. These temporary differences were brought to account during the financial year as the Group made a taxable profit.

*(b) Functional currency*

The functional currency for BirdDog Australia Pty Ltd has been assessed by management as Australian Dollars. Management has exercised judgement to determine the functional currency that most accurately represents the economic effects of the underlying transactions, events and conditions, which includes:

- The Directors and central management of BirdDog Australian Pty Ltd is in Australia;
- Subsequent to financial year-end, the Group has raised convertible notes from wholesale investors in Australian Dollars;
- The Group also intends to undertake an Initial Public Offering on the Australian Stock Exchange, where capital will be raised in Australian Dollars;

*(c) Convertible notes - embedded derivative*

The embedded derivative contained within the convertible notes are measured at fair value through profit and loss at reporting date. The fair value of the embedded derivative has been measured under a Monte Carlo simulation, which requires significant estimates, judgements and assumptions. These include the following assumptions:

- Estimated market value of the Group's shares in the event of an IPO;
- Risk free rates;
- Estimated volatility;
- Estimated timing of conversion events;

The gain or loss on the fair value of the embedded derivative is the difference between the fair value on the date of issue and the fair value at reporting date.

**BIRDDOG AUSTRALIA PTY LTD AND CONTROLLED ENTITY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 2: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)**

*(d) Share based payments reserve - lead manager options*

On 14 March 2021, BirdDog Australia Pty Ltd engaged PAC Partners as lead manager to provide capital raising services. In lieu of a retainer, BirdDog Australia Pty Ltd issued options equivalent to 2.5% of the post-money fully diluted capital structure of the Company at the date of the anticipated Initial Public Offering.

The fair value of the share based payment reserve on options issued to the lead manager has estimated using a Black Scholes model. This requires significant estimates and assumptions in determining their fair value. The following assumptions have been included in the Black Scholes model:

- Risk free rate of 0.75%;
- Estimated volatility of 50.0% using comparable listed companies;
- Anticipated IPO price of \$0.65.

*(e) Share based payments reserve - employee share rights*

Effective 1 April 2019, BirdDog Australia Pty Ltd entered into a remuneration contract with the Group's first employee. The employee will receive a 2.5% interest in ordinary shares of BirdDog Australia Pty Ltd should a sale event or Initial Public Offering occur.

The fair value of the share based payment reserve is based on a comparable capital raise that occurred around grant date. The fair value of the share based payments reserve on grant date was estimated at \$62,494, being 2.5% of the value of BirdDog Australia Pty Ltd.

The share based payment expense is recognised on a straight line basis over service period, which has been measured from 1 April 2019 (grant date) to the estimated IPO date of 30 November 2021.



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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 3: FINANCIAL RISK MANAGEMENT**

The Group is exposed to the following financial risks in respect to the financial instruments that it held at the end of the reporting period:

- (a) Currency risk
- (b) Interest rate risk
- (d) Credit risk
- (c) Liquidity risk
- (e) Fair values compared with carrying amounts

The Directors have overall responsibility for identifying and managing operational and financial risks.

The Group holds the following financial instruments:

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Financial assets</b>		
<i>Amortised cost</i>		
- Cash and cash equivalents	9,257,521	789,120
- Receivables from contracts with customers	518,973	1,384,647
- Other receivables and deposits	<u>128,351</u>	<u>60,442</u>
	<u>9,904,845</u>	<u>2,234,209</u>
<b>Financial liabilities</b>		
<i>Amortised cost</i>		
- Trade creditors and accruals	1,649,291	1,535,931
- Trade loans	5,320,564	879,878
- Convertible notes - host debt contract	8,642,748	-
- Director related party loans	-	1,277,969
- Lease liabilities	126,912	77,598
- Contract liabilities	<u>46,142</u>	<u>789,902</u>
	<u>15,785,657</u>	<u>4,561,278</u>
<b>Derivative financial liabilities</b>		
<i>Derivative financial liabilities (measured at fair value)</i>		
- Convertible notes - embedded derivative	<u>4,833,378</u>	<u>-</u>

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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 3: FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(a) Currency risk**

The Group undertakes transactions denominated in foreign currencies. Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group generates the majority of its sales in US Dollars, and is therefore exposed to foreign exchange risk between when sales are made the the time of settlement by customers. The Group's trade loan facility is also denominated in US Dollars, and is therefore exposed to foreign exchange risk between when the drawdown of loans occurs and the maturity date. The Group manages foreign exchange risk by maintaining cash reserves in US Dollars which can be used to pay down the trade loan outstanding.

The carrying amounts of foreign currency denominated monetary assets and monetary liabilities at the reporting date are:

	<b>Monetary assets</b>		<b>Monetary liabilities</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>\$USD</b>	<b>\$USD</b>	<b>\$USD</b>	<b>\$USD</b>
- Cash and cash equivalents	3,393,137	484,570	-	-
- Receivables from contracts with customers	271,426	949,559	-	-
- Payables	-	-	719,062	870,930
- Borrowings	-	-	4,000,000	600,000
- Lease liabilities	-	-	74,565	-
	<u>3,664,563</u>	<u>1,434,129</u>	<u>4,793,627</u>	<u>1,470,930</u>

***Sensitivity***

If foreign exchange rates were to increase/decrease by 10% from the rates prevailing at the reporting date, assuming all other variables remain constant, then the impact of profit for the year and equity would be as follows:

<b>United States dollars</b>	<b>2021</b>	<b>2020</b>
<b>+ / - 10% United States dollars</b>	<b>\$</b>	<b>\$</b>
Impact on profit after tax	100,568	7,524
Impact on equity	100,568	7,524

Management believes that the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

**BIRDDOG AUSTRALIA PTY LTD AND CONTROLLED ENTITY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 3: FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(b) Interest rate risk**

The Group is exposed to interest rate risk in relation to its cash and borrowings. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Group manages its interest rate risk by paying down the outstanding trade loan when excess cash is available from working capital.

The following table outlines that Group's exposure to interest rate risk in relation to future cashflows and the effective weighted average interest rates on classes of financial assets and financial liabilities:

**2021**

<b>Financial instruments</b>	<b>Interest bearing</b>	<b>Non-interest bearing</b>	<b>Total carrying amount</b>	<b>Weighted average effective interest rate</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	
<i>Financial assets</i>				
Cash	9,257,521	-	9,257,521	0.10 % Floating
Receivables from contracts with customers	-	518,973	518,973	0.00 %
Other receivables and deposits	-	<u>128,351</u>	<u>128,351</u>	0.00 %
	<u>9,257,521</u>	<u>647,324</u>	<u>9,904,845</u>	
<i>Financial liabilities</i>				
Trade loans	5,320,564	-	5,320,564	6.58 % Floating
Trade creditors and accruals	-	1,649,291	1,649,291	0.00 %
Lease liabilities	126,912	-	126,912	6.80 % Fixed
Convertible notes - host debt contract	8,642,748	-	8,642,748	47.47 % Fixed [1]
Convertible notes - embedded derivative	-	4,833,378	4,833,378	0.00 %
Contract liabilities	-	<u>46,142</u>	<u>46,142</u>	0.0 %
	<u>14,090,224</u>	<u>6,528,811</u>	<u>20,619,035</u>	

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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 3: FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(b) Interest rate risk (Continued)**

**2020**

*Financial assets*

Cash	789,120	-	789,120	0.10 % Floating
Receivables from contracts with customers	-	1,384,647	1,384,647	0.00 %
Other receivables and deposits	-	60,442	60,442	0.00 %
	<u>789,120</u>	<u>1,445,089</u>	<u>2,234,209</u>	

*Financial liabilities*

Trade loans	879,878	-	879,878	7.45 % Floating
Trade creditors and accruals	-	1,535,931	1,535,931	0.00 %
Lease liabilities	77,598	-	77,598	6.80 % Fixed
Director related party loans	209,456	1,068,513	1,277,969	10.00 % Fixed
Contract liabilities	-	789,902	789,902	0.0 %
	<u>1,166,932</u>	<u>3,394,346</u>	<u>4,561,278</u>	

[1] The Group recognised a liability of \$8,409,852 net of transaction costs for the convertible notes (host debt contract). The face value of the notes on maturity is \$13,750,000. The effective interest rate is 47.47% on the host debt contract. The interest rate under the executed deed is 8.0% per annum, payable every 6 months in arrears.

No other financial assets or financial liabilities are expected to be exposed to interest rate risk.

***Sensitivity***

If interest rates were to increase/decrease by 100 basis points from the rates prevailing at the reporting date, assuming all other variables remain constant, then the impact of profit for the year and equity would be as follows:

	<b>2021</b>	<b>2020</b>
+ / - 100 basis points	\$	\$
Impact on profit after tax	29,134	658
Impact on equity	29,134	658

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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 3: FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(c) Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Group's bank facilities are due for review on 30 September 2021. As at the date of the financial report, the Group's financiers are currently finalising their review of the facility which is expected to be renewed within a month from the date of the financial report. Based on the Group's budgets and forecasts for the next 12 months, The Group is not dependent on the trade loan facility in order to meet its debts as and when they fall due. The Group manages its liquidity needs by monitoring trade loan repayments as well as forecast cash inflows and outflows due in day-to-day business.

On 15 June 2021, the Group raised capital through the issue of convertible notes at a face value of \$13,750,000. The convertible notes have a maturity date of 12 months from issue, with coupon interest payable every 6 months in arrears at a rate of 8.0% per annum, totaling \$1,100,000 on maturity. The notes automatically convert to ordinary shares on completion of an Initial Public Offering, trade sale or at the discretion of noteholders at maturity at a variable price determined by the IPO price, trade sale price or a multiple of revenue. If the Initial Public Offering does not go ahead, the convertible notes are repayable on maturity. The carrying value of the convertible notes is represented by the host debt contract disclosed in Note 16 of \$8,642,748 and the embedded derivative disclosed in Note 18 of \$4,833,378.

During the financial year, the Group placed significant purchase orders with their major supplier. As at 30 June 2021, the total value of outstanding purchase orders with this supplier was \$8,776,564 USD. At 30 June 2021, the Group has paid a 30% deposit on these outstanding purchase orders totaling \$2,632,969 USD.

The Group considers expected cash flows from its pipeline of key distributors, in particular its cash resources and trade receivables.

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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 3: FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(c) Liquidity risk (Continued)**

The following table outlines the Group's remaining contractual maturities for non-derivative financial instruments. The amounts presented in the table are the undiscounted contractual cash flows of the financial liabilities, allocated to time bands based on the earliest date on which the Group can be required to pay.

<b>Year ended 30 June 2021</b>	<b>&lt; 6 months</b>	<b>6-12 months</b>	<b>1-5 years</b>	<b>Total contractual cash flows</b>	<b>Carrying amount</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	9,257,521	-	-	9,257,521	9,257,521
Receivables from contracts with customers	518,973	-	-	518,973	518,973
Other receivables and deposits	101,930	-	26,421	128,351	128,351
Trade creditors and accruals	(1,649,291)	-	-	(1,649,291)	(1,649,291)
Trade loans	(5,320,564)	-	-	(5,320,564)	(5,320,564)
Convertible notes	-	(14,850,000)	-	(14,850,000)	(13,476,126)
Lease liabilities	<u>(43,591)</u>	<u>(16,008)</u>	<u>(80,039)</u>	<u>(139,638)</u>	<u>(126,912)</u>
Net maturities	<u>2,864,978</u>	<u>(14,866,008)</u>	<u>(53,618)</u>	<u>(12,054,648)</u>	<u>(10,668,048)</u>
<b>Year ended 30 June 2020</b>					
Cash and cash equivalents	789,120	-	-	789,120	789,120
Receivables from contracts with customers	1,384,647	-	-	1,384,647	1,384,647
Other receivables and deposits	46,140	-	14,302	60,442	60,442
Trade creditors and accruals	(1,535,931)	-	-	(1,535,931)	(1,535,931)
Director related party loans	(209,456)	(1,068,513)	-	(1,277,969)	(1,277,969)
Trade loans	(879,878)	-	-	(879,878)	(879,878)
Lease liabilities	<u>(26,780)</u>	<u>(26,780)</u>	<u>(27,583)</u>	<u>(81,143)</u>	<u>(77,598)</u>
Net maturities	<u>(432,138)</u>	<u>(1,095,293)</u>	<u>(13,281)</u>	<u>(1,540,712)</u>	<u>(1,537,167)</u>

**BIRDDOG AUSTRALIA PTY LTD AND CONTROLLED ENTITY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 3: FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(d) Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date of recognised financial assets is the carrying amount of those assets, net of any provisions for impairment of those assets, as disclosed in consolidated statement of financial position and notes to financial statements.

The Group does not have any material credit risk exposure to any single counterparty or group of counterparties under financial instruments entered into by the Group.

*(i) Cash deposits*

Credit risk for cash deposits is managed by holding all cash deposits with major Australian banks.

*(ii) Receivables from contracts with customers*

Credit risk for receivables from contracts with customers is managed by requiring up-front deposits from customers under distributor agreements in place. The Group also undertakes credit checks for all new customers and setting credit limits for all customers commensurate with their assessed credit risk. Outstanding receivables are regularly monitored for payment in accordance with credit terms.

**(e) Fair values compared with carrying amounts**

The fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in consolidated statement of financial position and notes to financial statements.

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**NOTE 4: FAIR VALUE MEASUREMENT**

*(a) Fair Value Hierarchy*

The following table provides the fair value classification of those assets and liabilities held by the Group that are measured either on a recurring or non-recurring basis at fair value.

<b>2021</b>	<b>Level 3</b> <b>\$</b>	<b>Total</b> <b>\$</b>
<b><i>Financial liabilities</i></b>		
<i>Other derivative instruments at fair value through profit or loss</i>		
Convertible notes - embedded derivative	4,833,378	4,833,378
<b><i>Equity (reserves)</i></b>		
Share based payments reserve - lead manager options	216,142	216,142
Share based payments reserve - employee share rights	52,679	52,679

*(b) Reconciliation of recurring level 3 fair value movements*

For each asset and liability categorised as recurring level 3 fair value measurements, the following table presents the reconciliation of fair value from opening balances to the closing balances.

	<b>2021</b> <b>\$</b>	<b>2020</b> <b>\$</b>
<b>Convertible notes - embedded derivative</b>		
Opening balance	-	-
Recognition of derivative liability	4,843,904	-
Gain recognised in profit or loss	<u>(10,526)</u>	<u>-</u>
Closing balance	<u><u>4,833,378</u></u>	<u><u>-</u></u>



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**NOTE 4: FAIR VALUE MEASUREMENT (CONTINUED)**

*(b) Reconciliation of recurring level 3 fair value movements (Continued)*

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Share based payment reserve - lead manager options</b>		
Opening balance	-	-
Share based payments expense	<u>216,142</u>	<u>-</u>
Closing balance	<u><u>216,142</u></u>	<u><u>-</u></u>

The fair value of the share based payments reserve for the lead manager options at 30 June 2021 is \$687,725.

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Share based payments reserve - employee share rights</b>		
Opening balance	29,259	5,775
Share based payments expense	<u>23,420</u>	<u>23,484</u>
Closing balance	<u><u>52,679</u></u>	<u><u>29,259</u></u>

The fair value of the share based payments reserve for employee share rights at grant date was measured at \$62,494.

*(c) Valuation processes used for level 3 fair value measurements*

The following valuation processes have been utilised in determining Level 3 fair value measurements

*Convertible notes - embedded derivative*

A Monte Carlo simulation has been utilised to determine the fair value of the embedded derivative. The fair value estimate has been performed on the date of recognition and at 30 June 2021, with the gain on the change in fair value recorded in the statement of profit and loss. The inputs into the fair value estimates have been disclosed in Note 2(c).

*Share based payments reserve - lead manager options*

A Black Scholes model has been utilised to determine the fair value of the lead manager options at 30 June 2021. The inputs into the fair value estimate have been disclosed in Note 2(d).

*Share based payments reserve - employee share rights*

The fair value of the share based payment reserve for employee share rights is based on a comparable capital raise during the financial year in which the share rights were granted. The inputs into the fair value estimate have been disclosed in Note 2(e).

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	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 5: REVENUE FROM CONTRACTS WITH CUSTOMERS</b>		
Revenue from contracts with customers		
Core product sales	37,996,779	9,458,893
Software licensing fees	<u>218,760</u>	<u>26,114</u>
	<u><u>38,215,539</u></u>	<u><u>9,485,007</u></u>
The total amount of revenue from contracts with customers recognised for the financial year includes:		
Amounts that were included in the balance of contract liabilities at the beginning of the year	789,902	240,101
The aggregate amount of transaction prices (unrecognised revenue) allocated to remaining performance obligations, at the reporting date, is as follows:		
Core product sales	-	789,902
Software licensing fees	<u>46,142</u>	<u>-</u>
	<u><u>46,142</u></u>	<u><u>789,902</u></u>
The aggregate amount of transaction prices (unrecognised revenue) allocated to remaining performance obligations, at the reporting date (as disclosed above), is expected to be recognised as revenue within 6 months of the reporting date.		

**NOTE 6: OTHER REVENUE AND OTHER INCOME**

Other revenue and other income		
Interest income	321	162
Other revenue	1,604	666
Gain on embedded derivative at fair value through profit and loss	10,526	-
Foreign currency translation gains	126,739	100,324
Government grant income	<u>134,619</u>	<u>424,048</u>
	<u><u>273,809</u></u>	<u><u>525,200</u></u>

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	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 7: OPERATING PROFIT</b>		
Profit / (losses) before income tax has been determined after:		
Cost of sales	28,739,095	6,989,912
Finance costs		
- Interest on loans with related parties	144,560	-
- Interest on trade loans	231,730	230,563
- Interest on leased assets	7,026	6,684
- Interest on convertible notes (host debt contract) at amortised cost	<u>232,896</u>	<u>-</u>
	616,212	237,247
Depreciation	11,067	5,833
Amortisation of leased assets	63,119	49,270
Foreign currency translation gains	(112,094)	(38,352)
Research and development costs	991,244	317,785
Employee benefits:		
- Short term benefits	3,122,769	698,557
- Share based payments expense	23,420	23,484
- Superannuation guarantee contributions	119,553	34,429
- Other employee benefits	<u>29,394</u>	<u>71,971</u>
	3,295,136	828,441
Share based payments expense - Lead Manager	76,142	-
Remuneration of auditors for:		
<i>Pitcher Partners (Melbourne)</i>		
Audit and assurance services		
- Audit of the financial report and review of the half-year report	98,000	29,000
- Investigative accountants report	50,000	-
Other non-audit services		
- Tax compliance & advisory services	<u>72,381</u>	<u>-</u>
	<u>220,381</u>	<u>29,000</u>

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	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 8: INCOME TAX</b>		
<b>(a) Components of income tax (benefit) / expense</b>		
Current tax	353,118	-
Deferred tax	(32,115)	(131,747)
Under provision in prior years	<u>5,463</u>	<u>-</u>
	<u><u>326,466</u></u>	<u><u>(131,747)</u></u>
<b>(b) Income tax reconciliation</b>		
The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:		
Prima facie income tax payable on profit before income tax at 26.0% (2020: 27.5%)	436,930	147,566
Add tax effect of:		
- R&D expenditure claimed as tax offset	234,181	78,847
- Other non-deductible items	73,247	60,009
- Under provision in prior years	5,463	-
- Correction of opening deferred tax asset	28,920	-
- Impact of change in income tax rate on deferred tax assets	<u>2,540</u>	<u>-</u>
	344,351	138,856
Less tax effect of:		
- Other non-assessable income	96,043	-
- R&D Tax Offset	346,768	-
- Deferred tax assets brought to account	-	418,169
- Impact of difference in tax rates by jurisdiction	11,819	-
- Impact of translation of foreign operations	<u>185</u>	<u>-</u>
	<u><u>454,815</u></u>	<u><u>418,169</u></u>
Income tax (benefit) / expense attributable to profit	<u><u>326,466</u></u>	<u><u>(131,747)</u></u>

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**NOTES TO FINANCIAL STATEMENTS**  
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	2021 \$	2020 \$
<b>NOTE 8: INCOME TAX (CONTINUED)</b>		
<b>(c) Current tax</b>		
Current tax relates to the following:		
<i>Current tax liabilities / (assets)</i>		
Opening balance	-	-
Income tax	353,118	-
Under provision in prior years	5,463	-
Carried forward R&D tax offset recognised as tax asset	<u>(56,261)</u>	<u>-</u>
Current tax liabilities / (assets)	<u><u>302,320</u></u>	<u><u>-</u></u>
<b>(d) Deferred tax</b>		
Deferred tax relates to the following:		
<i>Deferred tax assets</i>		
The balance comprises:		
Tax losses carried forward	-	28,920
Non-refundable carried forward R&D tax offset	-	56,261
Employee benefits	80,000	41,359
Leases	1,173	1,016
Accruals	19,132	22,419
Net transaction costs deductible in future years	<u>45,004</u>	<u>-</u>
	<u><u>145,309</u></u>	<u><u>149,975</u></u>
<i>Deferred tax liabilities</i>		
The balance comprises:		
Unrealised FX gains	32,301	18,228
Prepaid listing costs	<u>5,407</u>	<u>-</u>
	<u><u>37,708</u></u>	<u><u>18,228</u></u>
Net deferred tax assets / (liabilities)	<u><u>107,601</u></u>	<u><u>131,747</u></u>
<b>(e) Deferred income tax (revenue) / expense included in income tax expense comprises</b>		
Increase in deferred tax assets	(86,523)	(149,975)
Increase in deferred tax liabilities	22,948	18,228
Impact of change in income tax rate on deferred tax assets	2,540	-
Correction of opening deferred tax assets	<u>28,920</u>	<u>-</u>
	<u><u>(32,115)</u></u>	<u><u>(131,747)</u></u>

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	2021	2020
	\$	\$

**NOTE 8: INCOME TAX (CONTINUED)**

**(f) Changes in applicable tax rates**

The income tax rate of BirdDog Australia Pty Ltd decreased from 27.5% in 2020 to 26.0% in 2021.

**NOTE 9: CASH AND CASH EQUIVALENTS**

Cash on hand	1	1
Cash at bank	<u>9,257,520</u>	<u>789,119</u>
	<u><u>9,257,521</u></u>	<u><u>789,120</u></u>

**NOTE 10: RECEIVABLES**

**CURRENT**

Receivables from contracts with customers	518,973	1,384,647
Other receivables	<u>101,930</u>	<u>46,140</u>
	<u><u>620,903</u></u>	<u><u>1,430,787</u></u>

**NOTE 11: INVENTORIES**

**CURRENT**

*At cost*

Raw materials	63,992	-
Finished goods	6,179,296	733,377
Deposits on inventory	<u>5,026,527</u>	<u>117,773</u>
	<u><u>11,269,815</u></u>	<u><u>851,150</u></u>

Deposits on inventory represent a 30% deposit placed with suppliers for inventory that has not been received prior to the end of the reporting period.

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	2021	2020
	\$	\$
<b>NOTE 12: OTHER ASSETS</b>		
CURRENT		
Prepayments	57,458	-
Prepaid listing costs	103,974	-
Government grants receivable	-	242,248
Deposits	<u>26,421</u>	<u>14,302</u>
	<u><u>187,853</u></u>	<u><u>256,550</u></u>

Prepaid listing costs relate to professional fees incurred in relation to the Group raising capital through the proposed Initial Public Offering. On raising of capital, these costs will be allocated directly to equity.

**NOTE 13: LEASE ASSETS AND LEASE LIABILITIES**

**(a) Lease assets**

Buildings		
Under lease	234,700	123,174
Accumulated amortisation	<u>(112,521)</u>	<u>(49,270)</u>
Total carrying amount of lease assets	<u><u>122,179</u></u>	<u><u>73,904</u></u>

**Reconciliations**

Reconciliation of the carry amount of lease assets at the beginning and end of the financial year:

*Buildings*

Opening carrying amount	73,904	-
Recognition of AASB 16 Leases standard	-	123,174
New leases acquired during the financial year	111,526	-
Amortisation	(63,119)	(49,270)
Net foreign exchange differences	<u>(132)</u>	<u>-</u>
Closing carrying amount	<u><u>122,179</u></u>	<u><u>73,904</u></u>

**(b) Lease liabilities**

CURRENT		
Buildings	<u>53,709</u>	<u>50,400</u>
NON-CURRENT		
Buildings	<u>73,203</u>	<u>27,198</u>
Total carrying amount of lease liabilities	<u><u>126,912</u></u>	<u><u>77,598</u></u>

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**NOTE 13: LEASE ASSETS AND LEASE LIABILITIES (CONTINUED)**

**(c) Lease expenses and cashflows**

Interest expense on lease liabilities	7,022	6,684
Amortisation expense on lease assets	63,119	49,270
Cash outflow in relation to leases	69,153	52,260

**NOTE 14: PLANT AND EQUIPMENT**

**Plant and equipment**

Computer equipment at cost	85,314	18,708
Accumulated depreciation	<u>(21,972)</u>	<u>(10,895)</u>
	<u>63,342</u>	<u>7,813</u>

**(a) Reconciliations**

Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year

*Computer equipment*

Opening carrying amount	7,813	9,405
Additions	66,606	4,241
Depreciation expense	(11,067)	(5,833)
Net foreign currency exchange movements	<u>(10)</u>	<u>-</u>
Closing carrying amount	<u>63,342</u>	<u>7,813</u>

**NOTE 15: PAYABLES**

**CURRENT**

*Unsecured liabilities at amortised cost*

Trade creditors	997,393	1,314,273
Director related party loans - non-interest bearing	-	1,068,513
Sundry creditors and accruals	<u>651,802</u>	<u>221,658</u>
	<u>1,649,195</u>	<u>2,604,444</u>



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	2021 \$	2020 \$
<b>NOTE 16: BORROWINGS</b>		
<b>CURRENT</b>		
<i>Unsecured liabilities at amortised cost</i>		
Director related party loans - interest bearing	-	209,456
<i>Secured liabilities at amortised cost</i>		
Trade loans	5,320,564	879,878
Convertible notes - host debt contract	8,642,748	-
	<u>13,963,312</u>	<u>879,878</u>
	<u>13,963,312</u>	<u>1,089,334</u>

**(a) Assets pledged as security**

Trade loans with Export Finance Australia are secured by a general security deed over the whole assets of BirdDog Australia Pty Ltd.

The convertible notes are secured by a general security deed over the whole assets of BirdDog Australia Pty Ltd, however are subordinated to the interests of the Export Finance Australia trade loan.

**(b) Trade loan facility**

The trade loan facility is due for renewal on 30 September 2021. The Group's financier is currently in the process of reviewing the Group's trade loan facility as at the date of the financial report.

**(c) Convertible notes**

The convertible notes has a maturity date of 9 June 2022, with coupon interest payable every 6 months in arrears at a rate of 8.0% per annum. The convertible notes automatically convert to ordinary shares on completion of an Initial Public Offering at a variable conversion price determined by the IPO price. If the Initial Public Offering does not go ahead, the convertible notes are repayable on maturity.

**NOTE 17: PROVISIONS**

<b>CURRENT</b>		
Employee benefits	(a) <u>256,459</u>	<u>136,045</u>
<b>NON-CURRENT</b>		
Employee benefits	(a) <u>36,572</u>	<u>14,352</u>
(a) Aggregate employee benefits liability	293,031	150,397

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	2021	2020
	\$	\$
<b>NOTE 18: OTHER FINANCIAL LIABILITIES</b>		
CURRENT		
<i>Other derivative instruments at fair value through profit and loss</i>		
Convertible notes - embedded derivative	<u>4,833,378</u>	<u>-</u>

**NOTE 19: CONTRACT LIABILITIES**

CURRENT		
Unearned income	<u>46,142</u>	<u>789,902</u>

A contract liability represents the Group's obligation to transfer goods or services to the customer for which the Group has received consideration (or an amount of consideration is due) from the customer. Contract liabilities arise in relation to sale of goods when consideration is received from the customer in advance of control over the product being passed to the customer. Contract liabilities arise in relation to software product services when consideration is received from the customer in advance of the service being provided to the customer. Amounts recorded as contract liabilities are subsequently recognised as revenue when the Group transfers control over the goods or services to the customer. Services are generally provided by the Group within 12 months of the receipt of an advance payment from a customer.

**NOTE 20: SHARE CAPITAL**

Issued and paid-up capital		
111,112 (2020: 111,112) Ordinary shares	<u>250,010</u>	<u>250,010</u>

**Rights of each type of share**

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

**Capital management**

When managing capital, management's objective is to ensure the Group continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. This is achieved through the monitoring of historical and forecast performance and cash flows.

During 2021, no dividends (2020: \$Nil) were paid or declared by management.

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		2021 \$	2020 \$
<b>NOTE 21: RESERVES</b>			
Foreign currency translation reserve	21(a)	(19,790)	(11,722)
Share based payments reserve	21(b)	<u>268,821</u>	<u>29,259</u>
		<u>249,031</u>	<u>17,537</u>

**(a) Foreign currency translation reserve**

*Movements in reserve*

Opening balance	(11,722)	(8,481)
Exchange differences on translation of foreign operations	<u>(8,068)</u>	<u>(3,241)</u>
Closing balance	<u>(19,790)</u>	<u>(11,722)</u>

The foreign currency translation reserve is used to record the exchange differences arising on translation of a foreign entity.

**(b) Share based payments reserve**

*Movements in reserve*

Opening balance	29,259	5,775
Share based payments recognised in profit and loss	99,562	23,484
Share based payments capitalised on recognition of convertible notes	<u>140,000</u>	<u>-</u>
Closing balance	<u>268,821</u>	<u>29,259</u>

The share based payments reserve is used to record the fair value of options issued to the lead manager of the IPO and share rights issued to employees.

**NOTE 22: ACCUMULATED LOSSES**

Accumulated losses at beginning of year	(1,438,151)	(2,106,501)
Net profit	<u>1,354,034</u>	<u>668,350</u>
	<u>(84,117)</u>	<u>(1,438,151)</u>

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	2021 \$	2020 \$
<b>NOTE 23: CASH FLOW INFORMATION</b>		
<b>(a) Reconciliation of cash</b>		
Cash at the end of the financial year as shown in the consolidated statement of cash flows is reconciled to the related items in the consolidated statement of financial position as follows:		
Cash on hand	1	1
Cash at bank	<u>9,257,520</u>	<u>789,119</u>
	<u>9,257,521</u>	<u>789,120</u>
<b>(b) Reconciliation of cash flow from operations with profit after income tax</b>		
Profit from ordinary activities after income tax	1,354,034	668,350
<b>Adjustments and non-cash items</b>		
Amortisation of leased assets	63,119	49,270
Depreciation	11,067	5,833
Interest expense accrued on director related party loans	-	42,306
Net foreign exchange differences	(8,068)	(3,241)
Interest on convertible notes under effective interest rate method	232,896	-
Transaction costs recognised as financing cash flows	193,756	-
Gain on embedded derivative at fair value through profit and loss	(10,526)	-
Share based payment expense	99,562	23,484
Interest on lease liabilities	7,022	-
<b>Changes in operating assets and liabilities</b>		
Decrease / (Increase) in trade and other receivables	809,884	(828,482)
Decrease / (increase) in other assets	68,697	(12,386)
(Increase) in inventories	(10,418,665)	(399,117)
Increase in payables	113,274	102,658
(Decrease) / increase in other liabilities	(743,760)	549,801
(Decrease) / increase in deferred tax assets	24,146	(131,747)
Increase in current tax liabilities	302,320	-
Increase in provisions	<u>142,634</u>	<u>59,818</u>
Cash flows from operating activities	<u>(7,758,608)</u>	<u>126,547</u>
<b>(c) Credit standby arrangements with banks</b>		
Trade loan facility	5,987,227	1,092,817
Amount utilised	<u>(5,320,564)</u>	<u>(879,878)</u>
Unused trade loan facility	<u>666,663</u>	<u>212,939</u>

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	2021	2020
	\$	\$

**NOTE 23: CASH FLOW INFORMATION (CONTINUED)**

**(d) Reconciliation of liabilities arising from financing activities**

Liabilities arising from financing activities are liabilities for which cash flows are, or will be, classified as 'cash flows from financing activities' in the statement of cash flows. Changes in the carrying amount of such liabilities, which comprise short-term bank borrowings, convertible notes issued (split between host debt contract and the embedded derivative) and lease liabilities, are summarised below.

Balance at the beginning of the year	2,235,445	1,495,476
Net proceeds from short-term borrowings	4,440,686	667,053
Proceeds from convertible notes	13,750,000	-
Transaction costs capitalised on recognition of convertible notes (host debt contract)	(356,244)	-
Share based payments capitalised on recognition of convertible notes (host debt contract)	(140,000)	-
Interest on convertible notes (host debt contract) under effective interest rate method	232,896	-
Gain on fair value of convertible notes (embedded derivative)	(10,526)	-
Adoption of AASB 16 Leases	-	123,174
Leases acquired during the year	111,526	-
Principle portion of leases	(69,102)	(45,576)
Interest on leases	7,022	-
Foreign currency translation of leases	(132)	-
Repayment of director related party loans	<u>(1,277,969)</u>	<u>(4,682)</u>
Balance at the end of the year	<u><u>18,923,602</u></u>	<u><u>2,235,445</u></u>

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	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 24: KEY MANAGEMENT PERSONNEL COMPENSATION</b>		
Compensation received by key management personnel of the group		
- short-term employee benefits	1,401,303	36,400
- post-employment benefits	<u>49,758</u>	<u>3,458</u>
	<u><u>1,451,061</u></u>	<u><u>39,858</u></u>

The names of Directors who have held office during the year are:

<b>Name</b>	<b>Position</b>
Daniel Miall	Director
Eamon Drew	Director

The names of key management personnel during the year are:

<b>Name</b>	<b>Position</b>
Barry Calnon	CFO & Finance Director

**NOTE 25: RELATED PARTY TRANSACTIONS**

**(a) Transactions with the ultimate parent entity of the Group**

As at 30 June 2020, the Group had a loan payable to BirdDog Unit Trust of \$555,923. The Group paid interest on this loan during the financial year at an effective rate of 3.57% totaling \$19,531. This loan was repaid on 25 June 2021.

There were no new loans entered into with the parent entity during the 2021 financial year.

**BIRDDOG AUSTRALIA PTY LTD AND CONTROLLED ENTITY**  
**ABN: 45 612 531 245**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 25: RELATED PARTY TRANSACTIONS (CONTINUED)**

**(b) Transactions with key management personnel of the entity and their related entities**

As at 30 June 2020, the Group had a loan payable to a related entity of Daniel Miall (Director) of \$246,527. The related party loan was repaid via installments during the 2021 financial year. The Group paid interest on this loan during the financial year at an effective interest rate of 25.57% totaling \$56,554. The Group has no loans outstanding with Daniel Miall or his related parties at 30 June 2021.

As at 30 June 2020, the Group had a loan payable to a related entity of Eamon Drew (Director) of \$170,822. The related party loan was repaid via installments during the 2021 financial year. The Group paid interest on this loan during the financial year at an effective interest rate of 24.82% totaling \$37,089. The Group has no loans outstanding with Eamon Drew or his related parties at 30 June 2021.

As at 30 June 2020, the Group had a loan payable to a related entity of Barry Calnon (CFO & Finance Director) of \$95,241. The Group also received an additional \$85,000 in loans from Barry Calnon during the 2021 financial year. The related party loan was repaid via installments during the 2021 financial year. The Group paid interest on this loan during the financial year at an effective interest rate of 26.46% totaling \$30,083. The Group has no loans outstanding with Barry Calnon or his related parties at 30 June 2021.

**BIRDDOG AUSTRALIA PTY LTD AND CONTROLLED ENTITY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

	2021 \$	2020 \$
<b>NOTE 26: PARENT ENTITY DETAILS</b>		
Summarised presentation of the parent entity, BirdDog Australia Pty Ltd, financial statements:		
<b>(a) Summarised statement of financial position</b>		
<b>Assets</b>		
Current assets	21,228,467	3,279,436
Non-current assets	<u>173,859</u>	<u>536,178</u>
Total assets	<u>21,402,326</u>	<u>3,815,614</u>
<b>Liabilities</b>		
Current liabilities	20,965,710	4,615,971
Non-current liabilities	<u>36,572</u>	<u>41,550</u>
Total liabilities	<u>21,002,282</u>	<u>4,657,521</u>
Net assets / (deficiency)	<u>400,044</u>	<u>(841,907)</u>
<b>Equity</b>		
Share capital	250,010	250,010
Retained losses	(118,787)	(1,121,176)
Reserves	<u>268,821</u>	<u>29,259</u>
Total equity	<u>400,044</u>	<u>(841,907)</u>
<b>(b) Summarised statement of comprehensive income</b>		
Profit for the year	1,002,389	865,175
Other comprehensive income for the year	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>1,002,389</u>	<u>865,175</u>

**NOTE 27: INTERESTS IN SUBSIDIARIES**

*(a) Subsidiaries*

The following are the Group's significant subsidiaries:

Subsidiaries of BirdDog Australia Pty Ltd:	Country of incorporation	Ownership interest held by the group	
		2021	2020
		%	%
BirdDog Australia (USA) Inc	USA	100	100



**BIRDDOG AUSTRALIA PTY LTD AND CONTROLLED ENTITY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 28: ENTITY DETAILS**

The registered office of the Group is:

BirdDog Australia Pty Ltd  
Level 13  
664 Collins Street  
DOCKLANDS VIC 3004

The principal place of business is:

Unit 5  
38 Down Street  
COLLINGWOOD VIC 3066

The ultimate parent and controlling entity of BirdDog Australia Pty Ltd is BirdDog Unit Trust, incorporated in Australia.

**NOTE 29: EVENTS SUBSEQUENT TO REPORTING DATE**

On 31 July 2021, BirdDog Australia Pty Ltd entered into a share based payment transaction to acquire the remaining 50% interest in IP rights the Group co-developed. The IP rights acquired will be recorded as an intangible asset at their fair value which equates to approximately \$400,000. As a result of the shareholders of BirdDog Australia Pty Ltd entering into an equity settled share based payment with the counterparty, this will be recorded through a share based payments reserve.

Except for the above and the effects of COVID-19 and subsequent government actions, the impact of which on the Group cannot reasonably be determined with certainty at this time, there has been no other matters or circumstances, which has arisen since 30 June 2021 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2021, of the Group, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2021, of the Group.

**BIRDDOG AUSTRALIA PTY LTD AND CONTROLLED ENTITY**  
**ABN: 45 612 531 245**


**DIRECTORS' DECLARATION**

The Directors of the Group declare that:

1. The financial statements and notes, as set out on pages 5 - 47 presents fairly the Group's financial position as at 30 June 2021 and performance for the year ended on that date of the Group in accordance with Accounting Standards in Australia.
2. In the Directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
3. As stated in note 1, the financial statements also comply with *International Financial Reporting Standards*.

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

Director:   
Daniel Miall

Director:   
Eamon Drew

Dated this 22nd day of September 2021

**BIRDDOG AUSTRALIA PTY LTD AND CONTROLLED ENTITY**  
**ABN: 45 612 531 245**

**INDEPENDENT AUDITOR'S REPORT**  
**TO THE MEMBERS OF BIRDDOG AUSTRALIA PTY LTD**

**Report on the Audit of the Financial Report**

*Opinion*

We have audited the financial report of BirdDog Australia Pty Ltd "the Company" and its controlled entity, "the Group", which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report presents fairly, in all material respects, the financial position of the Group as at 30 June 2021, and its financial performance and its cash flows for the year then ended in accordance with the financial reporting requirements of Australian Accounting Standards.

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

*Other Information*

The Directors are responsible for the other information. The other information comprises the information included in the Group's Directors' report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly 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.

**BIRDDOG AUSTRALIA PTY LTD AND CONTROLLED ENTITY**  
**ABN: 45 612 531 245**

**INDEPENDENT AUDITOR'S REPORT**  
**TO THE MEMBERS OF BIRDDOG AUSTRALIA PTY LTD**

*Responsibilities of Management and Those Charged with Governance for the Financial Report*

Management is responsible for the preparation and fair presentation of the financial report in accordance with the financial reporting requirements of the applicable legislation and for such internal control as management determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

*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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

**BIRDDOG AUSTRALIA PTY LTD AND CONTROLLED ENTITY**  
**ABN: 45 612 531 245**

**INDEPENDENT AUDITOR'S REPORT**  
**TO THE MEMBERS OF BIRDDOG AUSTRALIA PTY LTD**

*Auditor's Responsibilities for the Audit of the Financial Report (Continued)*

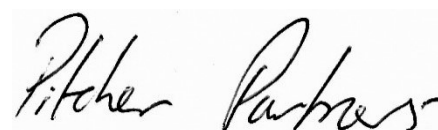
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



F V RUSSO

Partner



PITCHER PARTNERS

Melbourne

Date: 22 September 2021