Firstwave Cloud Technology Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Firstwave Cloud Technology Limited
ABN:	35 144 733 595
Reporting period:	For the half-year ended 31 December 2021
Previous period:	For the half-year ended 31 December 2020

2. Results for announcement to the market

				$
Revenues from ordinary activities	down	13.2%	to	3,512,460
Loss from ordinary activities after tax attributable to the owners of Firstwave Cloud Technology Limited	up	18.1%	to	(7,657,581)
Loss for the half-year attributable to the owners of Firstwave Cloud Technology Limited	up	18.1%	to	(7,657,581)

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Comments
The loss for the consolidated entity after providing for income tax amounted to $7,657,581 (31 December 2020: $6,483,523). With the increased loss being mainly attributable to the one-off transaction costs of $639,857, a specific provision of $449,488 and $395,202 less recognised in 'other income' due to lower claims for government grants and the change in accounting treatment of the R&D income from cash to accruals in FY21 resulting in additional income recognised due to the timing benefit of cash receipt and accrued income.

Refer to the 'Review of operations' section of the Directors' report within the Interim Report for further commentary on the results.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	0.82	0.65

Net tangible assets calculations include right-of-use assets and lease liabilities.

4. Audit qualification or review

Details of audit/review dispute or qualification (if any):

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

5. Attachments

Details of attachments (if any):

The Interim Report of Firstwave Cloud Technology Limited for the half-year ended 31 December 2021 is attached.

6. Signed

As authorised by the Board of Directors

Signed ____________________________ Date: 23 February 2022

John Grant
Non-Executive Chairman
Sydney

Firstwave Cloud Technology Limited

ABN 35 144 733 595

Interim Report - 31 December 2021

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Firstwave Cloud Technology Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2021.

Directors
The following persons were directors of Firstwave Cloud Technology Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

John Grant - Non-Executive Chairman
Paul MacRae - Non-Executive Director
Euh (David) Hwang - Non-Executive Director
Danny Maher - Managing Director (appointed on 27 January 2022)
Ray Kiley - Non-Executive Director (appointed on 27 January 2022)

Principal activities
During the financial half-year, the principal continuing activities of the consolidated entity comprise of development and sale of internet security software.

Dividends
There were no dividends paid, recommended or declared during the current or previous financial half-year.

Review of operations
Profit or loss performance
The consolidated entity’s revenue for the financial half-year was $3,512,460 (31 December 2020: $4,046,877) which represents a decline of 13.2% over the prior comparative period (‘PCP’). Recurring revenue represented 97.9% (31 December 2020: 92.6%) of total revenue.

The consolidated entity’s loss after income tax amounted to $7,657,581 (31 December 2020: $6,483,523). With the increased loss being mainly attributable to the one-off transaction costs of $639,857, a specific provision of $449,488 and $395,202 less recognised in ‘other income’ due to lower claims for government grants and the change in accounting treatment of the R&D income from cash to accruals in FY21 resulting in additional income recognised due to the timing benefit of cash receipt and accrued income.

The company's Executive Chair John Grant stepped into the role of Interim CEO following the resignation of former CEO Neil Pollock in early July and undertook a detailed review of the business.

The Product Management and Software Development team’s efforts were directed to remove the ‘friction’ in deployment of the software by service providers and end users. This resulted in the successful launch of the consolidated entity’s CyberCision platform on 27 October 2021. This first phase of development is targeting the provision of fully integrated email, web, firewall and end-point protection solutions for service providers, as well as increased automation and enhanced integration with internal service provider business systems.

To improve customer onboarding and support, the international and domestic teams were consolidated into Sydney.

On 18 October 2021, at the request of two African based service providers, Telum and CSquared, the Board agreed to pause billing on their contracts to distribute the consolidated entity’s WebProtect Domain Name System ('DNS') service to allow renegotiation of the terms of those contracts to align their billing of Level 2 partners and end user customers with billing from the consolidated entity. Their combined impact, representing AU$1.95 million, was excluded from the calculation of IARR at the close of Q1 FY22. While these contracts remained on foot and billing was expected to return from Telum, the Board determined that the consolidated entity will adopt a more conservative view of contract risk and revenue recognition in the future.

27 full-time equivalent employees departed the business in the period, requiring $0.4 million in one-off payments for termination settlements and accrued leave. However, these departures reduced monthly expenditure in base salaries by over $0.3 million.

The proposed acquisition of Opmantek Limited ('Opmantek') was announced on 29 November 2021 with the release of a Bidders' Statement that identified a range of significant operational and strategic benefits for the consolidated entity, including:

- Revenue growth through new channels to market globally and direct access to the large US market through Opmantek's established managed services provider channel;
- Cost synergies;
- An expanded product offering; and
- Strengthened leadership at the executive level with Opmantek Executive Chairman Danny Maher becoming the consolidated entity's Managing Director and CEO, and US based Opmantek CEO Craig Nelson becoming the consolidated entity's Chief Revenue Officer, and at the Board level with Ray Kiley and Danny Maher joining the existing directors.

In support of the Opmantek acquisition a $14 million capital raise was also announced split across $7 million in a two-tranche placement and approximately $7 million in a fully underwritten entitlement offer.

It is noted that the acquisition was not completed until after the period end on 14 January 2022 and therefore the financials contained in the Appendix 4D do not include any contribution from Opmantek.

Statement of financial position
Cash and cash equivalents increased by $3,372,788 to $13,334,653 (30 June 2021: $9,961,866). The increase came after, $4,800,948 net cash outflows from operating activities and $1,625,267 in investing activities, reflecting continued investment on the development of the consolidated entity's intellectual property being the technology platform. During the financial half-year, the company raised additional capital of $9,757,893 from the first tranche of the placement, the entitlement offer and $764,419 from the exercise of sub-underwriter options.

Going concern
Based on its current commitments, the consolidated entity has sufficient funds to meet its debts as and when they fall due. Accordingly, the financial statements have been prepared on a going concern basis.

The directors determined that the use of the going concern basis of accounting is appropriate in preparing the financial statements. The assessment of going concern is based on cash flow projections. The preparation of these projections incorporates several assumptions, considerations and judgements and the directors have concluded that the range of possible outcomes considered in arriving at this judgement does not give rise to a material uncertainty casting significant doubt on the consolidated entity's ability to continue as a going concern.

Significant changes in the state of affairs
The remaining 15,288,373 sub-underwriter options from the May 2020 capital raise were exercised in July and August 2021, raising a further $764,419 to cash reserves.

On 7 December 2021, the company issued 40,000,000 new shares from the first tranche of the two-tranche placement announced by the company on 29 November 2021 at an offer price of $0.07 per new share raising a total of $2,800,000 before issue costs.

On 21 December 2021, the company issued 99,398,468 new shares from the fully underwritten entitlement offer announced by the company on 29 November 2021 to subscribe 3 new shares for every 23 existing shares of the company at an offer price of $0.07 per new share raising a total of $6,957,893 before issue costs.

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

Matters subsequent to the end of the financial half-year
The consequences of the Coronavirus (COVID-19) pandemic are continuing to be felt around the world, and its impact on the consolidated entity, has been reflected in its published results to date. Whilst it would appear that control measures and related government policies have started to mitigate the risks caused by COVID-19, it is not possible at this time to state that the pandemic will not subsequently impact the consolidated entity's operations in terms of both revenue and expense, going forward. The consolidated entity now has experience in the swift implementation of business continuation processes should future lockdowns of the population occur, and these processes continue to evolve to minimise any operational disruption. Management continues to monitor the situation both locally and internationally.

On 10 January 2022, Danny Maher, the Opmantek Executive Chairman was appointed CEO of the consolidated entity.

On 14 January 2022, the company completed the acquisition of Opmantek Limited ('Opmantek') upon the acceptance of Opmantek's shareholders of the offer to acquire 100% of the issued capital of Opmantek by the issuance of 691,265,824 new shares of the company. The acquisition was undertaken as a 100% scrip for scrip acquisition. Opmantek is a fast-growing provider of enterprise-grade network management, automation and IT audit software to Managed Service Providers ('MSP') and medium to large businesses worldwide. Opmantek was acquired to bring substantial operation, financial and strategic benefits to the consolidated entity including product expansion, new global channels, access to the US market and a strengthened leadership team.

On 17 January 2022, the 691,265,824 new shares of the company were issued. The issue of the shares has resulted in:

- Opmantek is a wholly owned subsidiary of the company; and
- Opmantek shareholders own approximately 42% of the company's issued shares.

On 20 January 2022, the company issued 60,000,000 new shares from the second tranche of the two-tranche placement announced by the company on 29 November 2021 at an offer price of $0.07 per new share raising a total of $4,200,000 before issue costs.

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

John Grant
Non-Executive Chairman

Paul MacRae
Director

23 February 2022

Grant Thornton

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration

To the Directors of Firstwave Cloud Technology Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Firstwave Cloud Technology Limited for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

RJ Isbell

R J Isbell
Partner – Audit & Assurance

Sydney, 23 February 2022

General information

The financial statements cover Firstwave Cloud Technology Limited (referred to as the 'company' or 'parent') as a consolidated entity consisting of Firstwave Cloud Technology Limited and the entities it controlled at the end of, or during, the half-year (referred to as the 'consolidated entity'). The financial statements are presented in Australian dollars, which is Firstwave Cloud Technology Limited's functional and presentation currency.

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

Level 14
132 Arthur Street
North Sydney NSW 2060

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 23 February 2022. The directors have the power to amend and reissue the financial statements.

	Note	Consolidated 31 Dec 2021 $	Consolidated 31 Dec 2020 $
Revenue			
Revenue from contracts with customers	3	3,512,460	4,046,877
Cost of sales		(1,474,124)	(1,815,304)
Gross profit		2,038,336	2,231,573
Other income	4	701,856	1,097,058
Interest income calculated using the effective interest method		5,909	61,363
Expenses			
Sales and marketing - domestic		(709,207)	(744,864)
Sales and marketing - international		(1,962,316)	(1,406,948)
Product and development		(2,306,055)	(1,702,483)
Operations and support		(1,162,366)	(951,366)
Corporate and administration		(3,572,494)	(5,013,643)
Finance costs	5	(51,387)	(54,213)
Transaction costs		(639,857)	-
Total expenses		(10,403,682)	(9,873,517)
Loss before income tax expense		(7,657,581)	(6,483,523)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Firstwave Cloud Technology Limited		(7,657,581)	(6,483,523)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(282)	1,637
Other comprehensive income for the half-year, net of tax		(282)	1,637
Total comprehensive income for the half-year attributable to the owners of Firstwave Cloud Technology Limited		(7,657,863)	(6,481,886)
		Cents	Cents
Basic earnings per share	14	(0.99)	(0.99)
Diluted earnings per share	14	(0.99)	(0.99)

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

Firstwave Cloud Technology Limited
Statement of financial position
As at 31 December 2021

	Note	Consolidated 31 Dec 2021 $	Consolidated 30 June 2021 $
Assets			
Current assets			
Cash and cash equivalents		13,334,653	9,961,866
Term deposits		133,776	133,776
Trade and other receivables	6	2,197,095	2,843,953
Contract assets		254,871	552,697
Other assets	7	812,920	1,139,701
Total current assets		16,733,315	14,631,993
Non-current assets			
Property, plant and equipment		188,067	126,206
Right-of-use assets	8	509,034	622,149
Intangible assets	9	9,897,166	9,503,305
Total non-current assets		10,594,267	10,251,660
Total assets		27,327,582	24,883,653
Liabilities			
Current liabilities			
Trade and other payables		4,256,402	4,258,988
Contract liabilities	10	1,069,580	901,819
Employee benefits		1,236,847	1,266,539
Lease liabilities		244,425	176,758
Deferred research and development income		828,463	832,128
Total current liabilities		7,635,717	7,436,232
Non-current liabilities			
Contract liabilities	10	276,233	121,231
Employee benefits		142,855	155,445
Provisions		26,406	105,000
Lease liabilities		340,196	456,230
Deferred research and development income		1,606,534	1,739,171
Total non-current liabilities		2,392,224	2,577,077
Total liabilities		10,027,941	10,013,309
Net assets		17,299,641	14,870,344
Equity			
Issued capital	11	75,325,294	63,760,506
Reserves		6,100,418	7,611,200
Accumulated losses		(64,126,071)	(56,501,362)
Total equity		17,299,641	14,870,344

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

Firstwave Cloud Technology Limited
Statement of changes in equity
For the half-year ended 31 December 2021

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2020	54,667,525	6,386,579	(45,699,152)	15,354,952
Loss after income tax expense for the half-year	-	-	(6,483,523)	(6,483,523)
Other comprehensive income for the half-year, net of tax	-	1,637	-	1,637
Total comprehensive income for the half-year	-	1,637	(6,483,523)	(6,481,886)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	533,449	-	-	533,449
Share-based payments expenses	-	2,174,650	-	2,174,650
Share issue on exercise of options, net of transaction costs	362,108	(362,108)	-	-
Balance at 31 December 2020	55,563,082	8,200,758	(52,182,675)	11,581,165

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2021	63,760,506	7,611,200	(56,501,362)	14,870,344
Loss after income tax expense for the half-year	-	-	(7,657,581)	(7,657,581)
Other comprehensive income for the half-year, net of tax	-	(282)	-	(282)
Total comprehensive income for the half-year	-	(282)	(7,657,581)	(7,657,863)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 11)	9,095,769	-	-	9,095,769
Share-based payments expenses	-	235,464	-	235,464
Share issue on exercise of options, net of transaction costs	2,469,019	(1,713,092)	-	755,927
Transfer to retained earnings	-	(32,872)	32,872	-
Balance at 31 December 2021	75,325,294	6,100,418	(64,126,071)	17,299,641

Firstwave Cloud Technology Limited
Statement of cash flows
For the half-year ended 31 December 2021

	Consolidated	
	31 Dec 2021	31 Dec 2020
	$	$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	4,788,265	1,350,414
Payments to suppliers and employees (inclusive of GST)	(9,620,142)	(7,577,188)
Interest received	8,124	61,363
Other income	20,987	-
Interest and other finance costs paid	(183)	(2,500)
Net cash used in operating activities	(4,802,949)	(6,167,911)
Cash flows from investing activities		
Payments for property, plant and equipment	(119,334)	(22,080)
Payments for intangible assets	(1,503,933)	(1,645,858)
Net cash used in investing activities	(1,623,267)	(1,667,938)
Cash flows from financing activities		
Proceeds from issue of shares	9,757,893	533,449
Proceeds from exercise of options	761,163	-
Repayment of receivables from key management personnel	-	221,520
Share issue transaction costs	(630,417)	-
Payment of principal portion of lease liabilities	(89,636)	(262,894)
Net cash from financing activities	9,799,003	492,075
Net increase/(decrease) in cash and cash equivalents	3,372,787	(7,343,774)
Cash and cash equivalents at the beginning of the financial half-year	9,961,866	15,281,338
Cash and cash equivalents at the end of the financial half-year	13,334,653	7,937,564

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

New or amended Accounting Standards and Interpretations adopted

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

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

Going Concern

During the half-year ended 31 December 2021, the consolidated entity incurred a net loss after tax of $7,657,581 (31 December 2020: $6,483,523) and net cash outflows used in operating activities of $4,802,949 (31 December 2020: $6,167,911). The directors have prepared the financial statements on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The directors determined that the use of the going concern basis of accounting is appropriate in preparing the financial statements. The assessment of going concern is based on cash flow projections. The preparation of these projections incorporates a number of assumptions and judgements, including that the R&D tax incentive will continue to be claimed and approved at similar levels to prior period and that there will be continued growth in international revenue. Furthermore, the consolidated entity has the ability to significantly reduce its operating costs if the above assumptions vary and the directors believe that material reductions could be made without impact to the servicing of the business's long-standing domestic revenue streams. Also, 40,000,000 shares were issued from the first tranche of the two-tranche placement raising additional $2,800,000 in working capital and 99,398,468 were issued as part of the entitlement offer raising an additional $6,957,893 in working capital.

The directors have concluded that the range of possible outcomes considered in arriving at this judgement does not give rise to a material uncertainty casting significant doubt on the consolidated entity’s ability to continue as a going concern.

Comparatives

Comparatives in the financial statements have been realigned to the current period presentation. There was no impact on the results of operations for the period.

Note 2. Operating segments

Identification of reportable operating segments
The consolidated entity's operating segments are based on the internal reports that are reviewed and used by the Chief Executive Officer and the Board of Directors (being the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

Note 2. Operating segments (continued)

The CODM reviews segment revenue and consolidated adjusted EBITDA (earnings before interest, tax, depreciation and amortisation, excluding non-cash share-based payments expenses). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements. The information reported to the CODM is on a monthly basis.

The CODM does not review segment assets and liabilities.

Types of products and services
The consolidated entity is organised into two operating segments as follows:

Australia	A geographical segment to identify development and sale of internet security software in the domestic market.
International	A geographical segment to identify development and sale of internet security software in the international market.

Operating segment information

Consolidated - 31 Dec 2021	Australia $	International $	Total $
Revenue			
Sales to external customers	3,137,240	375,220	3,512,460
Interest income	5,909	-	5,909
Total revenue	3,143,149	375,220	3,518,369
Adjusted EBITDA			(5,759,174)
Depreciation and amortisation			(1,617,465)
Interest income			5,909
Finance costs			(51,387)
Share-based payments expenses			(235,464)
Loss before income tax expense			(7,657,581)
Income tax expense			-
Loss after income tax expense			(7,657,581)

Consolidated - 31 Dec 2020	Australia $	International $	Total $
Revenue			
Sales to external customers	3,598,938	447,939	4,046,877
Interest income	61,363	-	61,363
Total revenue	3,660,301	447,939	4,108,240
Adjusted EBITDA			(3,006,562)
Depreciation and amortisation			(1,309,461)
Interest income			61,363
Finance costs			(54,213)
Share-based payments expenses			(2,174,650)
Loss before income tax expense			(6,483,523)
Income tax expense			-
Loss after income tax expense			(6,483,523)

Note 3. Revenue

Disaggregation of revenue
The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
	31 Dec 2021 $	31 Dec 2020 $
Recurring revenue (over a period of time)	3,438,933	3,745,745
Non-recurring revenue (at a point in time)	73,527	301,132
	3,512,460	4,046,877

Revenue from external customers by geographic regions is set out in note 2.

Note 4. Other income

	Consolidated	
	31 Dec 2021 $	31 Dec 2020 $
Research and development grant income*	675,849	1,018,795
Other income**	26,007	78,263
Other income	701,856	1,097,058

* The consolidated entity recognised R&D income an accrual basis from prior financial year. There are no unfulfilled conditions or other contingencies attached to the grant.
** Includes other COVID-19 incentives from Singapore Government of $23,700 (31 December 2020: $3,510).

Note 5. Expenses

	Consolidated	
	31 Dec 2021	31 Dec 2020
	$	$
Loss before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	22,660	64,751
Computer equipment	21,080	23,255
Computer platform	1,273	1,314
Right-of-use assets	113,115	220,299
Total depreciation	158,128	309,619
Amortisation		
Capitalised development costs	1,445,563	999,311
Patents	13,774	531
Total amortisation	1,459,337	999,842
Total depreciation and amortisation	1,617,465	1,309,461
Finance costs		
Interest and finance charges paid/payable on lease liabilities	51,387	54,213
Net foreign exchange variance		
Net foreign exchange variance	20,134	(24,776)
Employee benefit expenses		
Employee salaries and other benefits*	6,417,370	5,660,039
Defined contribution superannuation expense	426,092	346,793
Share-based payments expenses	235,464	2,174,650
Total Employee benefit expenses	7,078,926	8,181,482

* Includes a salary sacrifice amount of $125,050 (31 December 2020: $606,377). Share rights have been granted for cash forgone.

Note 6. Trade and other receivables

	Consolidated	
	31 Dec 2021	30 June 2021
	$	$
Current assets		
Trade receivables	921,558	1,553,923
Less: Allowance for expected credit losses	(570,325)	(210,224)
	351,233	1,343,699
Research and development tax incentive receivable	1,814,564	1,275,017
Other receivables	31,298	86,122
GST receivable	-	139,115
	2,197,095	2,843,953

Note 7. Other assets

	Consolidated 31 Dec 2021 $	Consolidated 30 June 2021 $
Current assets		
Prepayments	779,739	1,106,520
Security deposits	33,181	33,181
	812,920	1,139,701

Note 8. Right-of-use assets

	Consolidated 31 Dec 2021 $	Consolidated 30 June 2021 $
Non-current assets		
Right-of-use	1,268,277	1,268,277
Less: Accumulated depreciation	(759,243)	(646,128)
	509,034	622,149

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

Consolidated	Office Premises $
Balance at 1 July 2021	622,149
Depreciation expense	(113,115)
Balance at 31 December 2021	509,034

Note 9. Intangible assets

	Consolidated 31 Dec 2021 $	Consolidated 30 June 2021 $
Non-current assets		
Capitalised development costs - at cost	23,017,831	21,170,160
Less: Accumulated amortisation	(13,269,656)	(11,824,093)
	9,748,175	9,346,067
Patents - at cost	208,006	202,479
Less: Accumulated amortisation	(149,015)	(135,241)
	58,991	67,238
Information systems - at cost	90,000	90,000
	9,897,166	9,503,305

Note 9. Intangible assets (continued)

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

Consolidated	Capitalised development $	Patents $	Information systems $	Total $
Balance at 1 July 2021	9,346,067	67,238	90,000	9,503,305
Additions	1,847,671	5,527	-	1,853,198
Amortisation expense	(1,445,563)	(13,774)	-	(1,459,337)
Balance at 31 December 2021	9,748,175	58,991	90,000	9,897,166

Note 10. Contract liabilities

	Consolidated 31 Dec 2021 $	Consolidated 30 June 2021 $
Current liabilities		
Contract liabilities	1,069,580	901,819
Non-current liabilities		
Contract liabilities	276,233	121,231
	1,345,813	1,023,050

Reconciliation
The contract liabilities relate to sales of term-based contracts that have been prepaid and hence the entity is obligated to provide the services agreed under the contract. Reconciliation of the contract liabilities (current and non-current) during the current financial half-year are set out below:

	Consolidated $
Balance at 1 July 2021	1,023,050
Payments received in advance	938,321
Transfer to revenue - included in the opening balance	(279,518)
Transfer to revenue - other balances	(336,040)
Balance at 31 December 2021	1,345,813

Note 11. Issued capital

	Consolidated 31 Dec 2021 Shares	30 June 2021 Shares	31 Dec 2021 $	30 June 2021 $
Ordinary shares - fully paid	909,530,434	747,390,339	75,325,294	63,760,506

Note 11. Issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2021	747,390,339		63,760,506
Issue of shares on exercise of options	16 July 2021	418,751	$0.11	46,482
Issue of shares on conversion of rights	19 July 2021	960,000	$0.11	100,800
Issue of shares on exercise of rights	2 August 2021	4,178,060	$0.11	438,696
Issue of shares on exercise of rights	2 August 2021	27,588	$0.14	3,807
Issue of shares on exercise of options	2 August 2021	6,155,118	$0.11	683,218
Issue of shares on exercise of options	19 August 2021	8,714,504	$0.11	967,310
Issue of shares on exercise of rights	6 September 2021	1,130,432	$0.11	118,695
Issue of shares on exercise of rights	6 September 2021	55,176	$0.14	7,614
Issue of shares on exercise of rights	6 September 2021	367,340	$0.07	24,612
Issue of shares from placement	7 December 2021	40,000,000	$0.07	2,800,000
Issue of shares on conversion of rights	7 December 2021	508,065	$0.12	60,460
Issue of shares from entitlement offer	21 December 2021	99,398,468	$0.07	6,957,893
Issue of shares on conversion of rights	24 December 2021	111,358	$0.11	11,693
Issue of shares on conversion of rights	24 December 2021	55,679	$0.12	6,626
Issue of shares on conversion of rights	24 December 2021	59,556	$0.13	7,498
Share issue transaction costs, net of tax				(670,616)
Balance	31 December 2021	909,530,434		75,325,294

Note 12. Dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 13. Contingent liabilities

The consolidated entity has given bank guarantees as at 31 December 2021 of $133,776 (30 June 2021: $133,776) to various landlords.

Note 14. Earnings per share

	Consolidated	
	31 Dec 2021 $	31 Dec 2020 $
Loss after income tax attributable to the owners of Firstwave Cloud Technology Limited	(7,657,581)	(6,483,523)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	776,037,164	651,763,997
Weighted average number of ordinary shares used in calculating diluted earnings per share	776,037,164	651,763,997
	Cents	**Cents**
Basic earnings per share	(0.99)	(0.99)
Diluted earnings per share	(0.99)	(0.99)

Options have been excluded in the weighted average number of shares used to calculate diluted earnings per share as they were anti-dilutive.

Note 15. Share-based payments

The consolidated entity has a share option plan and a share rights plan to incentivise certain employees and key management personnel ('KMP'). Shareholders approved the Rights Plan at an Extraordinary General Meeting held on 29 July 2020. During the period, the Board established a long-term incentive scheme ('LTI') under the company's Share Rights Plan. Pursuant to the LTI, the Board will have the discretion to invite certain key executives to apply for Share Appreciation Rights, which have been designed to deliver long term variable remuneration opportunities for key executives, which have service and vesting conditions, that assist in aligning the interests of the executives, with shareholders of the company.

The share-based payment expense for the period was $235,464 (31 December 2020: $2,174,650), out of which $125,050 (31 December 2020: $606,377) was off-set by the employees having agreed to salary sacrifice in lieu of service rights and hence saving the entity cash costs.

Movements in share awards during the year
The following table illustrates the number of awards and weighted average exercise prices ('WAEP') of, and movements in, share awards during the current half-year:

	Number of options	Weighted average exercise price
Outstanding at 1 July 2021	76,426,895	$0.19
Share rights granted during the financial half-year	10,365,580	$0.00
Exercised	(22,741,627)	$0.02
Expired	(1,033,000)	$0.00
Outstanding at 31 December 2021	63,017,848	

For the service rights and the restricted service rights granted during the current financial half-year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
03/09/2021	02/09/2024	$0.07	$0.00	72.00%	-	0.02%	$0.067
11/11/2021	30/06/2027	$0.09	$0.18	92.00%	-	0.10%	$0.057
11/11/2021	30/06/2027	$0.09	$0.27	92.00%	-	0.10%	$0.051
11/11/2021	30/06/2027	$0.09	$0.36	92.00%	-	0.10%	$0.046
22/12/2021	22/12/2024	$0.07	$0.00	99.00%	-	0.10%	$0.068

Note 16. Events after the reporting period

The consequences of the Coronavirus (COVID-19) pandemic are continuing to be felt around the world, and its impact on the consolidated entity, has been reflected in its published results to date. Whilst it would appear that control measures and related government policies have started to mitigate the risks caused by COVID-19, it is not possible at this time to state that the pandemic will not subsequently impact the consolidated entity's operations in terms of both revenue and expense, going forward. The consolidated entity now has experience in the swift implementation of business continuation processes should future lockdowns of the population occur, and these processes continue to evolve to minimise any operational disruption. Management continues to monitor the situation both locally and internationally.

On 10 January 2022, Danny Maher, the Opmantek Executive Chairman was appointed CEO of the consolidated entity.

On 14 January 2022, the company completed the acquisition of Opmantek Limited ('Opmantek') upon the acceptance of Opmantek's shareholders of the offer to acquire 100% of the issued capital of Opmantek by the issuance of 691,265,824 new shares of the company. The acquisition was undertaken as a 100% scrip for scrip acquisition. Opmantek is a fast-growing provider of enterprise-grade network management, automation and IT audit software to Managed Service Providers ('MSP') and medium to large businesses worldwide. Opmantek was acquired to bring substantial operation, financial and strategic benefits to the consolidated entity including product expansion, new global channels, access to the US market and a strengthened leadership team.

Note 16. Events after the reporting period (continued)

On 17 January 2022, the 691,265,824 new shares of the company were issued. The issue of the shares has resulted in:

- Opmantek is a wholly owned subsidiary of the company; and
- Opmantek shareholders own approximately 42% of the company's issued shares.

On 20 January 2022, the company issued 60,000,000 new shares from the second tranche of the two-tranche placement announced by the company on 29 November 2021 at an offer price of $0.07 per new share raising a total of $4,200,000 before issue costs.

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

John Grant
Non-Executive Chairman

Paul MacRae
Director

23 February 2022

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Review Report

To the Members of Firstwave Cloud Technology Limited

Report on the review of the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Firstwave Cloud Technology Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2021, and 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 half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Firstwave Cloud Technology Limited does not comply with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Firstwave Cloud Technology Limited financial position as at 31 December 2021 and of its performance for the half year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

RJ Isbell

R J Isbell
Partner – Audit & Assurance

Sydney, 23 February 2022