

Aumake Limited
Appendix 4E – preliminary final report
30 June 2022

1. Company details

Name of entity: Aumake Limited (the 'Company')
ACN: 150 110 017
Reporting period: For the year ended 30 June 2022
Previous period: For the year ended 30 June 2021

2. Results for announcement to the market

| | <u>30 June 2022</u> | <u>30 June 2021</u> |
|---|---------------------|---------------------|
| Revenues from ordinary activities down 52% | \$6,011,404 | \$12,442,733 |
| Loss from ordinary activities after tax attributable to the owners of Aumake Limited down 69% | \$6,209,680 | \$20,147,809 |
| Loss for the year attributable to the owners of Aumake Limited down 69% | \$6,180,757 | \$20,118,886 |

The Company does not propose to pay a dividend.

3. Net tangible assets

| | Reporting period Cents | Previous period Cents |
|--|---------------------------------------|--------------------------------------|
| Net tangible assets per ordinary share | <u>(0.1)</u> | <u>(1.0)</u> |

The net tangible assets per share is calculated based on 771,446,924 ordinary shares on issue as at 30 June 2022. The previous period net tangible assets per ordinary share is calculated based on 537,846,761 ordinary shares on issue as at 30 June 2021.

Net tangible assets calculation above includes the right-of-use assets and lease liabilities but excludes goodwill.

4. Control gained or lost over entities having material effect

There was no control gained or lost over entities during this period (where material).

5. Details of associates and joint venture entities

There are no associates or joint venture entities.

6. Audit qualification or review

The financial statements are based on accounts which are in the process of being audited but the audit has not yet completed.

7. Attachments

Relevant extracts from the Annual Report of Aumake Limited for the year ended 30 June 2022 (currently being audited) is attached.

8. Signed

A handwritten signature in black ink that reads "Stephen Harrison". The signature is written in a cursive style and is underlined with a long, sweeping horizontal line that extends to the right.

Signed _____

Date: 31 August 2022

Stephen Harrison

Non-Executive Chairman
Sydney

Commentary

Revenue

During the financial year ending 30 June 2022 most of the world experienced Covid-19 lockdowns. It is only now that Australia is seeing a modest return of international students, but international Chinese tourism is yet to return. Aumake recorded revenue of \$6.0 million with online gross merchandise value of \$3.0 million this financial year (a fall from \$9.0 m in the previous year) representing 50% of Aumake's total revenue.

Operating results

Unsure of when the effects of Covid-19 would subside and when the world would return to pre-Covid-19 travel and commerce, the Company took the decision to close unprofitable stores, reduce non-core expenditure, negotiate the surrender of rental premises, reduce its labour force, pay staff redundancies, and build its ecommerce capability. The Company recorded an operating loss of \$6.2 million this financial year, consisting of non-cash expenditure items of \$4.0 million.

Inventory

Inventory book value of \$1.4 million as at 30 June 2022 reflected adequate inventory levels to support the operation of Aumake's social e-commerce marketplace.

Cash at bank

Cash at bank of \$3.0 million as at 30 June 2022.

Aumake Limited
Appendix 4E – preliminary final report
30 June 2022

Statement of profit or loss and other comprehensive income
For the year ended 30 June 2022

| | Note | Consolidated | |
|--|------|--------------------|---------------------|
| | | 2022 \$ | 2021 \$ |
| Revenue | | | |
| Sales revenue | 4 | 6,011,404 | 12,442,733 |
| Other income | 5 | 867,802 | 1,894,990 |
| Expenses | | | |
| Cost of sales | | (5,460,001) | (10,659,060) |
| Administrative expenses | | (988,478) | (4,499,912) |
| Employee benefits expense | | (2,458,302) | (4,947,036) |
| Marketing expenses | | (201,565) | (748,088) |
| Travel and accommodation expenses | | (23,140) | (66,078) |
| Share based payment expense (options and performance shares) | | (439,625) | (410,230) |
| Depreciation and amortisation | | (1,344,365) | (439,307) |
| Loss on disposal of assets | | (250,463) | (1,242,129) |
| Loss on impairment of assets | 23 | (1,922,947) | (11,473,692) |
| Loss before income tax expense | | (6,209,680) | (20,147,809) |
| Income tax expense | 6 | - | - |
| Loss after income tax expense for the year | | (6,209,680) | (20,147,809) |
| Other comprehensive income | | | |
| <i>Items that may be reclassified to profit or loss</i> | | | |
| Exchange differences on translation of foreign operations | 20 | (241,210) | (71,707) |
| Total comprehensive loss attributable to owners of Aumake Limited | | (6,450,890) | (20,219,516) |
| Loss for the year is attributable to: | | | |
| Non-controlling interest | | (28,923) | (28,923) |
| Owners of Aumake Limited | | (6,180,757) | (20,118,886) |
| | | (6,209,680) | (20,147,809) |
| Total comprehensive loss for the year is attributable to: | | | |
| Non-controlling interest | | (28,923) | (28,923) |
| Owners of Aumake Limited | | (6,421,967) | (20,190,593) |
| | | (6,450,890) | (20,219,516) |
| | | Cents | Cents |
| Loss per share for loss from continuing operations attributable to the owners of Aumake Limited | | | |
| Basic earnings per share | 26 | (0.90) | (3.75) |

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

Aumake Limited
Appendix 4E – preliminary final report
30 June 2022

Statement of financial position

As at 30 June 2022

| | Note | Consolidated | |
|--------------------------------|------|-------------------|-------------------|
| | | 2022 \$ | 2021 \$ |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 7 | 3,042,043 | 4,264,616 |
| Trade and other receivables | 8 | 75,597 | 156,142 |
| Inventories | 9 | 1,418,020 | 1,799,618 |
| Other assets | 10 | 78,919 | 464,140 |
| Total current assets | | <u>4,614,579</u> | <u>6,684,516</u> |
| Non-current assets | | | |
| Plant and equipment | 11 | 500,055 | 1,051,618 |
| Right-of-use asset | 12 | 385,641 | 2,850,381 |
| Intangibles | 13 | 4,500,000 | 5,438,887 |
| Other financial assets | | 50,000 | - |
| Other assets | 14 | 27,553 | 1,310,463 |
| Total non-current assets | | <u>5,463,249</u> | <u>10,651,349</u> |
| Total assets | | <u>10,077,828</u> | <u>17,335,865</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 15 | 4,863,610 | 7,305,356 |
| Borrowings | 16 | - | 39,497 |
| Provisions | 17 | 597,760 | 1,387,967 |
| Lease liabilities | 18 | 459,237 | 1,654,590 |
| Total current liabilities | | <u>5,920,607</u> | <u>10,387,410</u> |
| Non-current liabilities | | | |
| Lease liabilities | 18 | 60,999 | 1,361,367 |
| Other payables | 15 | - | 228,904 |
| Total non-current liabilities | | <u>60,999</u> | <u>1,590,271</u> |
| Total liabilities | | <u>5,981,606</u> | <u>11,977,681</u> |
| Net assets | | <u>4,096,222</u> | <u>5,358,184</u> |
| Equity | | | |
| Issued capital | 19 | 53,814,842 | 49,094,462 |
| Reserves | 20 | 2,083,053 | 1,884,638 |
| Non-controlling interests | 21 | (28,923) | (28,923) |
| Accumulated losses | 22 | (51,772,750) | (45,591,993) |
| Total equity | | <u>4,096,222</u> | <u>5,358,184</u> |

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

Aumake Limited
Appendix 4E – preliminary final report
30 June 2022

Statement of changes in equity

For the year ended 30 June 2022

| Consolidated | Issued Capital \$ | Reserves \$ | Accumulated Losses \$ | Non- Controlling Interests \$ | Total Equity \$ |
|--|----------------------------------|------------------------|--------------------------------------|--|----------------------------|
| Balance at 1 July 2020 | 35,954,542 | 5,546,115 | (25,473,107) | - | 16,027,550 |
| Total comprehensive loss for the year | - | - | (20,118,886) | (28,923) | (20,147,809) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Issue of share for acquisition of subsidiary | 2,504,000 | - | - | - | 2,504,000 |
| Issue of new shares | 7,000,000 | - | - | - | 7,000,000 |
| Share Payment Reserve conversion | 4,000,000 | (4,000,000) | - | - | - |
| Share issue costs (Note 19) | (364,080) | - | - | - | (364,080) |
| Share-based payments - Options and performance shares | - | 410,230 | - | - | 410,230 |
| Exchange difference on translation | - | (71,707) | - | - | (71,707) |
| Balance at 30 June 2021 | 49,094,462 | 1,884,638 | (45,591,993) | (28,923) | 5,358,184 |
| Balance at 1 July 2021 | 49,094,462 | 1,884,638 | (45,591,993) | (28,923) | 5,358,184 |
| Total comprehensive loss for the year | - | - | (6,180,757) | - | (6,180,757) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Issue of share for acquisition of subsidiary | 2,127,000 | - | - | - | 2,127,000 |
| Issue of new shares | 2,727,000 | - | - | - | 2,727,000 |
| Share issue costs (Note 19) | (133,620) | - | - | - | (133,620) |
| Share-based payments - Options and performance shares | - | 439,625 | - | - | 439,625 |
| Exchange difference on translation | - | (241,210) | - | - | (241,210) |
| Balance at 30 June 2022 | 53,814,842 | 2,083,053 | (51,772,750) | (28,923) | 4,096,222 |

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

Aumake Limited
Appendix 4E – preliminary final report
30 June 2022

Statement of cash flows

For the year ended 30 June 2022

Consolidated

| | | 2022 | 2021 |
|---|-------------|--------------------|--------------------|
| | Note | \$ | \$ |
| Cash flows related to operating activities | | | |
| Receipts from product sales and related debtors | | 6,011,404 | 12,442,733 |
| Payments to suppliers and employees | | (12,421,866) | (21,978,346) |
| Other income | | 851,901 | 1,538,169 |
| Interest received | | 15,901 | 7,450 |
| Income tax paid | | - | - |
| Net cash outflow from/(used in) operating activities | | (5,542,660) | (7,989,994) |
| Cash flows related to investing activities | | | |
| Payments for plant and equipment | 11 | (81,647) | (137,688) |
| Acquisition of intangibles | | (631,590) | (2,354,000) |
| Secured deposits paid / (refunded) | | 554,154 | (101,535) |
| Net cash outflow used in investing activities | | (159,083) | (2,593,223) |
| Cash flows related to financing activities | | | |
| Proceeds from issue of shares | | 4,854,000 | 7,000,000 |
| Share issue costs | | (133,620) | (364,080) |
| Repayment of the borrowings | | - | (43,148) |
| Net cash inflow from financing activities | | 4,720,380 | 6,592,772 |
| Net (decrease) increase in cash held | | (981,363) | (3,990,445) |
| Cash and cash equivalents at the beginning of the financial year | | 4,264,616 | 8,228,008 |
| Effects of exchange rate changes on cash and cash equivalents | | (241,210) | 27,053 |
| Cash and cash equivalents at the end of the financial year | 7 | 3,042,043 | 4,264,616 |

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

Notes to the financial statements

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements of Aumake Limited and its controlled entities (the 'consolidate entity' or 'Group') are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

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

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

Conceptual Framework for Financial Reporting (Conceptual Framework)

The consolidated entity has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the consolidated entity's financial statements.

Basis of preparation

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

Historical cost convention

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

Going concern

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

As disclosed in the financial statements, the Group incurred a loss of \$6,209,680 and outflows from operating activities and investing activities of \$5,542,660 and \$159,083 respectively for the year ended 30 June 2022. As at that date, the Group had net current liabilities of \$1,306,028.

The ability of the Group to continue as a going concern is principally dependent upon the ability of the Group to manage cash flows in line with available funds and to secure funds by raising additional capital from equity markets, as and when required.

The Directors believe that there are reasonable grounds that the Group will be able to continue as a going concern, after consideration of the following factors:

- the Group held a positive cash position of \$3,042,043 as at 30 June 2022 and has prepared a cash flow forecast to manage cash in line with available funds;
- the Group has reduced or removed all non-essential costs in order to conserve cash;
- the Group has closed all non-profitable stores;
- the ability to defer payments to major creditors such as commission payments to travel agents, as a result of existing strong relationships; and
- the Group expects to be successful in sourcing further capital from the issue of additional equity securities to fund its ongoing operations, as and when required.

Note 1. Significant accounting policies (cont'd)

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Aumake Limited as at 30 June 2022 and 30 June 2021 and the results of all subsidiaries for the year then ended. Aumake Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity' or 'Group'.

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

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

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

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

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

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation

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

Foreign currency transactions

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

Note 1. Significant accounting policies (cont'd)

Foreign operations

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

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

Revenue recognition

The financial reporting standard on revenue from contracts with customers establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer (which excludes estimates of variable consideration that are subject to constraints, such as right of return exists, trade discounts, volume rebates and changes to the transaction price arising from modifications), net of any related sales taxes and excluding any amounts collected on behalf of third parties. An asset (goods or services) is transferred when or as the customer obtains control of that asset. As a practical expedient the effects of any significant financing component is not adjusted if the payment for the good or service will be within one year.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Travel commission

Revenue generated from the travel commission is recognised at the point in time when the customers are introduced to the tour agencies.

Interest

Interest revenue is recognised as interest accrues using the effective interest method.

Other revenue

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

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for when:

- the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

Note 1. Significant accounting policies (cont'd)

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Aumake Limited (the 'head entity') and its wholly owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime subsequent to 30 June 2018. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Current and non-current classification

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

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

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

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Note 1. Significant accounting policies (cont'd)

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any provision for impairment.

Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a weighted average cost basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

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

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Impairment of investments

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

Note 1. Significant accounting policies (cont'd)

Plant and equipment

Plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment (excluding land) over their expected useful lives as follows:

| | |
|------------------------|------------|
| Leasehold improvements | 3-10 years |
| Plant and equipment | 3-10 years |
| Motor vehicle | 5-8 years |

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

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 years.

Agency relationships

Agency relationships acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 20 years.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Note 1. Significant accounting policies (cont'd)

Trade and other payables

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

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred

Provisions

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

Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments

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

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

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

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

Note 1. Significant accounting policies (cont'd)

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

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

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

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

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

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

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

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

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

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

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

Note 1. Significant accounting policies (cont'd)

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

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

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued, or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share

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

Note 1. Significant accounting policies (cont'd)

Diluted earnings per share

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

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

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

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

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

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

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit and loss as incurred.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index, or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Note 1. Significant accounting policies (cont'd)

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2022. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 2. Critical accounting judgements, estimates and assumptions

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

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. The consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity 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 consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Goodwill

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Estimation of useful lives of assets

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

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Note 2. Critical accounting judgements, estimates and assumptions (cont'd)

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Note 3. Operating segments

The consolidated entity is organised into two operating segments based on differences in the type of selling that occurs. The main operation is its traditional multi-brand, omni-channel retail business, and during this financial year the consolidated entity has developed its online platform and will begin to shift the business model from a predominately bricks-and-mortar business to an online influencer-based marketplace. This latter segment has not contributed sufficient revenue to justify separate disclosure in these financial statements.

The Directors have considered the requirements of AASB 8 – Operating Segments and the internal reports that are reviewed by the Board in allocating resources, and have concluded that at this time, there are no separately identifiable segments.

The consolidated entity is domiciled in Australia. Revenue from external customers is generated from Australia, New Zealand and China. Segment revenues are allocated based on the country in which the customer is located. Assets are located in Australia, New Zealand and China. For the years ended 30 June 2022 and 30 June 2021, the revenues from China and New Zealand are not material to the Group.

Note 4. Sales Revenue

| | Consolidated | |
|--|---------------------|-------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Revenue from contracts with customers</i> | | |
| Sale of goods | 6,011,404 | 12,442,733 |

Revenue from contracts with customers are recognised at the point in time, when the customer obtains control of the goods, which is generally at the time of delivery.

Geographical

| | | |
|---------------|-----------|------------|
| Australia | 6,011,404 | 12,442,733 |
| New Zealand | - | - |
| | <hr/> | <hr/> |
| Sale of goods | 6,011,404 | 12,442,733 |

Note 5. Other income

| | Consolidated | |
|---------------------|---------------------|-------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Other income | 604,083 | 543,405 |
| Interest income | 15,901 | - |
| Cash Flow Boost | - | 227,585 |
| JobSaver subsidies | 247,818 | - |
| JobKeeper subsidies | - | 1,124,000 |
| | <hr/> | <hr/> |
| | 867,802 | 1,894,990 |

Note 6. Income tax expense

No income tax is payable by the Group as it recorded a loss for income tax purposes for the year.

Note 7. Current assets – cash and cash equivalents

| | Consolidated | |
|---------------|---------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Cash at bank | 2,179,269 | 4,043,799 |
| Term deposits | 858,021 | 210,667 |
| Cash on hand | 4,753 | 10,150 |
| | <u>3,042,043</u> | <u>4,264,616</u> |

Note 8. Current assets - trade and other receivables

| | Consolidated | |
|-------------------|---------------------|----------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Trade receivables | 75,385 | 143,015 |
| Other receivables | 212 | 13,127 |
| | <u>75,597</u> | <u>156,142</u> |

Allowance for expected credit losses

There is no allowance for expected credit losses recognised as at 30 June 2022 (30 June 2021: Nil).

Note 9. Current assets - inventories

| | Consolidated | |
|--------------------------------|---------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Finished goods | 1,647,182 | 1,919,579 |
| Less: provision for impairment | <u>(229,162)</u> | <u>(119,961)</u> |
| | <u>1,418,020</u> | <u>1,799,618</u> |

Note 10. Current assets - other assets

| | Consolidated | |
|-------------|---------------------|----------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Prepayments | <u>78,919</u> | <u>464,140</u> |

Note 11. Non-current assets - plant and equipment

| | Consolidated | |
|----------------------------------|---------------------|-----------------|
| | 2022 | 2021 |
| | \$ | \$ |
| | <hr/> | <hr/> |
| Leasehold improvements - at cost | 1,048,595 | 1,578,392 |
| Less: Accumulated depreciation | (663,245) | (732,432) |
| | <hr/> 385,350 | <hr/> 845,960 |
| | | |
| Plant and equipment - at cost | 290,969 | 430,855 |
| Less: Accumulated depreciation | (230,123) | (300,035) |
| | <hr/> 60,846 | <hr/> 130,820 |
| | | |
| Motor vehicles - at cost | 151,948 | 190,693 |
| Less: Accumulated depreciation | (98,089) | (115,855) |
| | <hr/> 53,859 | <hr/> 74,838 |
| | | |
| Capital work in progress | <hr/> - | <hr/> - |
| | <hr/> 500,055 | <hr/> 1,051,618 |

Reconciliations

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

Note 11. Non-current assets - plant and equipment (cont'd)

| | Leasehold improvements | Plant and equipment | Motor vehicles | Capital work in progress | Total |
|------------------------------|---------------------------|------------------------|-------------------|-----------------------------|-----------|
| Consolidated | \$ | \$ | \$ | \$ | \$ |
| Balance at 30 June 2021 | 845,960 | 130,820 | 74,838 | - | 1,051,618 |
| Additions | 71,000 | 10,647 | - | - | 81,647 |
| Disposals | (252,827) | (34,720) | - | - | (287,547) |
| Depreciation expense | (289,486) | (47,714) | (20,979) | - | (358,179) |
| Foreign exchange differences | 10,703 | 1,813 | - | - | 12,516 |
| Balance at 30 June 2022 | 385,350 | 60,846 | 53,859 | - | 500,055 |

| | Leasehold improvements | Plant and equipment | Motor vehicles | Capital work in progress | Total |
|------------------------------|---------------------------|------------------------|-------------------|-----------------------------|-------------|
| Consolidated | \$ | \$ | \$ | \$ | \$ |
| Balance at 30 June 2020 | 1,791,486 | 321,446 | 100,151 | 84,553 | 2,297,636 |
| Additions | 99,249 | 38,439 | - | - | 137,688 |
| Disposals/Transfer | (1,006,976) | (132,590) | (18,010) | (84,553) | (1,242,129) |
| Depreciation expense | (33,612) | (96,232) | (7,303) | - | (137,147) |
| Foreign exchange differences | (4,187) | (243) | - | - | (4,430) |
| Balance at 30 June 2021 | 845,960 | 130,820 | 74,838 | - | 1,051,618 |

Note 12. Non-current assets - right-of-use assets

| | Consolidated | |
|--------------------------------|--------------|-------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Right-of-use assets | 2,607,868 | 5,848,772 |
| Less: Accumulated depreciation | (2,222,227) | (2,998,391) |
| | 385,641 | 2,850,381 |

The consolidated entity has exited or surrendered several property leases during the financial year. The remaining leases are for the Group's offices and retail outlets which are under agreements with a duration of between one to three and a half years to expiry. The leases have various escalation clauses. On renewal, the terms of the leases are expected be renegotiated.

Aumake Limited
Appendix 4E – preliminary final report
30 June 2022

Note 13. Non-current assets - Intangibles

| | Consolidated | |
|--------------------------------|---------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Goodwill | - | - |
| Agency relationships - at cost | 6,043,208 | 6,043,208 |
| Less: Accumulated amortisation | (906,481) | (604,321) |
| Less: Loss on impairment | (636,727) | - |
| | <u>4,500,000</u> | <u>5,438,887</u> |

Reconciliations

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

| Consolidated | Agency Relationships | Goodwill | Total |
|---------------------------------|-----------------------------|-----------------|------------------|
| | \$ | \$ | \$ |
| Balance at 1 July 2020 | 5,741,047 | 10,509,851 | 16,250,898 |
| Less: Amortisation for the year | (302,160) | - | (302,160) |
| Less: Impairment for the year | - | (10,509,851) | (10,509,851) |
| Balance at 30 June 2021 | <u>5,438,887</u> | <u>-</u> | <u>5,438,887</u> |
| Less: Amortisation for the year | (302,160) | - | (302,160) |
| Less: Impairment for the year | (636,727) | - | (636,727) |
| Balance at 30 June 2022 | <u>4,500,000</u> | <u>-</u> | <u>4,500,000</u> |

Note 14. Non-current assets - other assets

| | Consolidated | |
|-------------------|---------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Security deposits | <u>27,553</u> | <u>1,310,463</u> |

Note 15. Trade and other payables

| | Consolidated | |
|-------------------------------|---------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Current | | |
| Trade payables | 2,227,869 | 1,306,698 |
| Other payables | 32,932 | 2,651,131 |
| Payment in advance | 412,002 | 3,609 |
| Accrued expenses ¹ | 2,190,807 | 3,343,918 |
| | <u>4,863,610</u> | <u>7,305,356</u> |
| | | |
| | Consolidated | |
| | 2022 | 2021 |
| | \$ | \$ |
| Non-current | | |
| Other payables | <u>-</u> | <u>228,904</u> |

¹The total accrued expenses balance of \$2,190,807 includes rent owed of \$426,190 and accrued commission of \$1,764,617 which are payable to travel agents and agencies.

Aumake Limited
Appendix 4E – preliminary final report
30 June 2022

Note 16. Borrowings

| | Consolidated | |
|--|---------------------|-------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Current | | |
| Finance lease liability - motor vehicles | - | 39,497 |
| | - | 39,497 |

| 30 June 2021 | Future minimum lease payments | Interest | Present value of minimum lease payments |
|----------------------------|--------------------------------------|-----------------|--|
| | \$ | \$ | \$ |
| Less than one year | 39,514 | (17) | 39,497 |
| Between one and five years | - | - | - |
| | 39,514 | (17) | 39,497 |

The finance lease liability is secured by a charge over the underlying finance leased asset.

Note 17. Current liabilities – provisions

| | Consolidated | |
|---|---------------------|-------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Provision for lease payments due (not included in Lease Liabilities) ¹ | 304,874 | 750,068 |
| Employee benefits provision | 292,886 | 637,899 |
| | 597,760 | 1,387,967 |

¹ The provision balance of \$304,874 relates to the amount of rent payable over the entire remaining lease period for the Gold Harbour Q1 store. As this store is no longer open, the lease liabilities have been accounted for as provisions (moved out of lease liabilities). Management is endeavouring to surrender, exit, or sub-lease this location.

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current since the consolidated entity does not have an unconditional right to defer settlement. The consolidated entity expects all employees to take the full amount of accrued leave or require payment within the next 12 months.

Note 18. Lease liabilities

| | Consolidated | |
|-----------------|---------------------|-------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Current | | |
| Lease liability | 459,237 | 1,654,590 |

| | Consolidated | |
|--------------------|---------------------|-------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Non-current | | |
| Lease liability | 60,999 | 1,361,367 |

Note 19. Equity - issued capital

| | Consolidated | | | |
|------------------------------|---------------------|---------------|-------------|-------------|
| | 2022 | 2021 | 2022 | 2021 |
| | Shares | Shares | \$ | \$ |
| Ordinary shares - fully paid | 771,446,924 | 537,846,761 | 53,814,842 | 49,094,462 |

Movements in ordinary share capital

| | 2022 | | 2021 | |
|--|----------------------|------------|----------------------|------------|
| | No. of shares | \$ | No. of shares | \$ |
| Consolidated | | | | |
| At the beginning of the financial year | 537,846,761 | 49,094,462 | 332,436,698 | 35,954,542 |
| Add: | | | | |
| Share issued at acquisition of business – Broadway Group | 68,612,913 | 2,127,000 | 36,417,816 | 2,354,000 |
| Share issued for Partnership - AI Driven | 2,000,000 | - | - | - |
| Reclassify Share Payment Reserve to issued Capital | - | - | 50,000,000 | 4,000,000 |
| Conversion of ESOP to ORD | 2,987,250 | - | 2,325,581 | 150,000 |
| Conversion of Options to ORD | 9,000,000 | - | - | - |
| Share issued at capital raising | 151,000,000 | 2,727,000 | 116,666,666 | 7,000,000 |
| Share issue costs | | (133,620) | - | (364,080) |
| At the end of the financial year | 771,446,924 | 53,814,842 | 537,846,761 | 49,094,462 |

Ordinary shares participate in dividends and the proceeds on winding up of the consolidated entity in proportion to the number of and amounts paid on the shares held. At shareholder 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.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

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

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the Company's current share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

Note 19 Equity – issued capital (cont'd)

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2021 Annual Report.

Note 20. Equity - reserves

| | Consolidated | |
|--------------------------------------|---------------------|------------------|
| | 2022 | 2021 |
| | <u>\$</u> | <u>\$</u> |
| Options reserve | 2,197,823 | 1,734,795 |
| Performance rights reserve | 125,294 | 148,697 |
| Foreign currency translation reserve | (240,064) | 1,146 |
| | <u>2,083,053</u> | <u>1,884,638</u> |

Note 21. Non-controlling interest

In April 2021 Aumake invested \$1,000,000 to establish Hangzhou Ouyi Brand Management, a Chinese domiciled ecommerce operator. Whilst Aumake does not hold any direct ownership interest in Hangzhou Ouyi Brand Management, the agreements that are in place regarding the \$1,000,000 investment effectively provides Aumake with control and 76% of the business results.

| | Consolidated | |
|---|---------------------|-----------------|
| | 2022 | 2021 |
| | <u>\$</u> | <u>\$</u> |
| <i>Movement in minority interests</i> | | |
| At the beginning of the financial year | (28,923) | - |
| Share of loss | - | (28,923) |
| | <u>(28,923)</u> | <u>(28,923)</u> |
| Accumulated losses at the end of the financial year | <u>(28,923)</u> | <u>(28,923)</u> |

Note 22. Equity – accumulated losses

| | Consolidated | |
|---|---------------------|---------------------|
| | 2022 | 2021 |
| | <u>\$</u> | <u>\$</u> |
| Accumulated losses at the beginning of the financial year | (45,591,993) | (25,473,107) |
| Loss after income tax expense for the year | (6,180,757) | (20,118,886) |
| | <u>(51,772,750)</u> | <u>(45,591,993)</u> |

Note 23. Loss on impairment of assets

| | Consolidated | |
|-----------------------|---------------------|-------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Leased property asset | 1,286,220 | 963,841 |
| Goodwill | - | 10,509,851 |
| Agency Relationships | 636,727 | - |
| | <u>1,922,947</u> | <u>11,473,692</u> |

The Group has ceased operating out of Q1 (Surfers Paradise), the China Town (Sydney), Town Hall and World Square stores, but still has lease agreements in place re Town Hall and Q1. As these sites are no longer revenue generating, the Group has ceased to recognise the future rental payments as right-of-use assets and has impaired this value.

Note 24. Interests in subsidiaries

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

| Name | Principal place of business / Country of incorporation | Ownership interest | |
|---|---|---------------------------|---------------------|
| | | 30 June 2022 | 30 June 2021 |
| | | % | % |
| Parent entity | | | |
| Aumake Limited (formerly Aumake International Limited) | Australia | | |
| Name of subsidiary entities | | | |
| ITM Corporation Ltd | Australia | 100% | 100% |
| Aumake Australia Pty Ltd | Australia | 100% | 100% |
| Jumbuck Australia Pty Ltd | Australia | 100% | 49% |
| 168 Express Pty Ltd | Australia | 100% | 100% |
| Newera Australia Pty Ltd | Australia | 100% | 100% |
| Kiwibuy Australia Pty Ltd | Australia | 100% | 100% |
| Medigum Honey Pty Ltd | Australia | 50% | 50% |
| A Kangaroo from Xiamen Health Technology Co. Ltd | China | 100% | 100% |
| Syd Star Pty Ltd | Australia | 100% | 100% |
| Gold Harbour Pty Ltd | Australia | 100% | 100% |
| Round Forest Pty Ltd | Australia | 100% | 100% |
| M Best Tax Free Pty Ltd | Australia | 100% | 100% |
| Broadway Australia Pty Ltd | Australia | 100% | 100% |
| AUBW International Limited | New Zealand | 100% | 100% |
| Herbsmart Pharmaceutical Pty Ltd | Australia | 50% | - |
| Herbsmart Biotech Pty Ltd | Australia | 90% | - |

Whilst the Group does not hold any direct ownership in Hangzhou Ouyi Brand Management (refer Note 21), the agreements that are in place over its contribution, effectively provides the Group with control and 76% of the business results.

Note 25. Events after the reporting period

No matter or circumstance has arisen since 30 June 2022 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.

Note 26. Loss per share

| | Consolidated | |
|---|---------------------|--------------------|
| | <u>2022</u> | <u>2021</u> |
| | \$ | \$ |
| Basic loss per share (cents) | <u>(0.90)</u> | <u>(3.75)</u> |
| Diluted loss per share (cents) | <u>(0.90)</u> | <u>(4.43)</u> |
| Net loss used in the calculation of basic loss per share and diluted loss per share | (6,209,680) | (20,147,809) |
| Weighted average number of ordinary shares outstanding during the year used in calculating diluted loss per share | <u>687,819,105</u> | <u>454,412,244</u> |

Options have not been included in the calculation of dilutive loss per share as the options on issue are not considered to be dilutive.