

GRATIFII LIMITED
APPENDIX 4D



1. Company Details

Name of Entity: Gratificii Limited
ABN: 47 125 688 940
Reporting Period: For the half-year ended 31 December 2022
Previous Period: For the half-year ended 31 December 2021

2. Results for announcement to the market.

	Half-year ended 31 Dec 2022 \$	Half-year ended 31 Dec 2021 \$	Change \$	Change %
Revenue from ordinary activities	14,050,321	4,651,585	9,398,736	202%
Other income	281,739	435,785	(154,046)	(35%)
Net loss before tax including impairment	(1,831,894)	(1,211,189)	(620,705)	51%
Loss on derecognition of subsidiaries	(155,881)	(156,423)	542	0%
Exchange difference on translating foreign operations	126,397	148,087	(21,690)	(15%)
Total comprehensive profit/(loss) for the half year	(1,864,142)	(1,219,525)	(644,617)	53%
Loss from ordinary activities (EBITDA)	(1,001,823)	(534,880)	(466,943)	87%

Brief explanation for any of the figures reported above necessary to enable the figures to be understood:

Financial Summary

	Half-year ended 31 Dec 2022 \$	Half-year ended 31 Dec 2021 \$
Revenue – Ordinary	14,050,321	4,651,585
Revenue – Other Income	661	719
Recognising reduced purchase price of acquisition through profit or loss and other comprehensive income statement	281,078	-
R&D Grant and Government Support	-	435,066
	14,332,060	5,087,370
Cost of Goods Sold	(11,429,982)	(3,331,240)
Gross Profit Trading	2,620,339	1,320,345
COGS %	19%	28%

Refer to the Review of Operations in the half year financial report for commentary on the results for the period and explanations to understand the Group's revenue and profit/(loss) from ordinary activities.

The financial statements for the half year ended 31 December 2022, represent the results of the Gratificii Group for the period from 1 July 2022 to 31 December 2022.

3. Net Tangible Assets

	As at 31 Dec 2022	As at 31 Dec 2021
Net tangible assets per security with the comparative figure for the previous corresponding period	\$(0.006)	\$(0.009)

4. Details of Entities over which control has been gained or lost

On 2 August 2022, the Group lost control over its wholly owned subsidiary Onit Media Pty Ltd due to the completion of administration proceedings.

On 22 August 2022, the Group acquired 100% of Hachiko Pty Ltd and its wholly owned subsidiaries Hachiko NZ Limited and Rewards 365 Pty Ltd.

5. Dividends

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

6. Dividend reinvestment plan

There is no dividend reinvestment plan in operation.

7. Details of Associates and Joint Venture Entities.

There were no associate and joint venture entities during the reporting period.

8. Foreign Entity Status

The Company is not a foreign entity.

9. Audit Review

The financial statements were subject to a review by MNSA Pty Ltd and their unqualified review report is attached as part of the Interim Financial Report. The auditor's review report was issued without qualification, however, includes an Emphasis of Matter in relation to going concern.

10. Attachments

The Interim Financial Report of Gratifii Limited for the half-year ended 31 December 2022 is attached.

Signed



Iain Dunstan
CEO & Managing Director
Sydney, 27 February 2023



GRATIFII LIMITED

AND ITS CONTROLLED ENTITIES

ABN: 47 125 688 940

FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2022

CORPORATE DIRECTORY

Directors

Iain Dunstan
CEO & Managing Director

Stephen Borness
Non-Executive Chairman

Mike Hill
Non-Executive Director

Bryan Zekulich
Non-Executive Director

Ms Patrina Kerr
Non-Executive Director (appointed 1 September 2022)

Company Secretary

Ms Alicia Gill (appointed 15 November 2022)

Registered Office

Suite 2, Level 1, 44a Foveaux Street
Surry Hills NSW 2010

Principal Place of Business

Suite 2, Level 1, 44a Foveaux Street
Surry Hills NSW 2010
T: +61 2 9922 6988
W: www.gratifii.com

Auditor

MNSA Pty Ltd
Level 1, 283 George Street,
Sydney NSW 2000
T: +61 2 9299 0901

Share Register

Automic Registry Services Pty Ltd
Level 5, 126 Phillip Street
Sydney NSW 2000
T: +61 2 9698 5414

Securities Exchange Listing

Australian Securities Exchange
(Home Exchange: Sydney, NSW)
ASX Code: GTI

Bank

National Australia Bank Ltd
255 George Street
Sydney NSW 2000

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DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

The Directors of Gratifii Limited ("Gratifii" and/or "the Company") present their Report together with the financial statements of the consolidated entity, being Gratifii Limited and its controlled entities, for the half year ended 31 December 2022.

DIRECTORS AND EXECUTIVES

The following persons held office as Directors and Executive positions of Gratifii Limited during or since the end of the reporting period and up to the date of this report:

Iain Dunstan	Managing Director and Chief Executive Officer, appointed 17 April 2020
Stephen Borness	Non-Executive Chairman, appointed 06 May 2021
Mike Hill	Non-Executive Director, appointed 29 December 2020
Bryan Zekulich	Non-Executive Director, appointed 29 December 2020
Patrina Kerr	Non-Executive Director, appointed 1 September 2022

PRINCIPAL ACTIVITIES

The principal activities of the Group during the reporting period were the delivery of loyalty and rewards services to mid-to-top tier brands.

Gratifii provides end-to-end loyalty solutions and curated reward content for businesses to engage with their customers. Our primary technology offering, Mosaic, is a highly configurable loyalty and rewards platform that businesses can implement to manage their loyalty programs.

Alongside our enterprise technology, we offer bespoke engagement programs, marketing services and best-in-class rewards content such as entertainment, experiences, retail, theme parks and attractions, electronics and gift cards.

Gratifii operates in Australia, New Zealand, Singapore, South Africa and UAE, with more than 90 enterprise customers across a range of sectors including retail, hospitality, energy, technology, financial services, automotive, and health and wellness.

DIVIDENDS PAID OR RECOMMENDED

The Directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

Operational update

In line with its strategy of one platform delivering all of the Company's loyalty and rewards services, Gratifii continued to invest in additional functionality for its Mosaic loyalty platform. Gratifii invested \$1.53 million in capital development costs (H1 FY22: \$1.5 million) during the period. This was largely invested in delivering client functionality for three key enterprise contracts. The 'Products' module is now complete and is the final core module to be delivered. The Company received an R&D tax rebate of ~\$0.84 million in November 2022, which was used to further accelerate these implementations.

Gratifii's rewards business, Neat Ideas, was appointed as preferred rewards partner for several high-profile member organisations and employers during the period. The addition of these enterprise clients grew the total number of Neat Ideas potential users by 2.8 million, to over 16 million, growing Neat Ideas' revenue stream.

Hachiko, acquired in August 2022, expanded its existing client relationships to deliver bespoke engagement programs and market services across a range of industries.

Gratifii was awarded Climate Active certification for its business operations during the period, reflecting the Company's commitment to being carbon neutral and reducing its organisational emissions by 30% by 2032 (compared to 2023).

DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

Corporate activities

On 11 August 2022 Gratificii Ltd announced the acquisition of 100% of the shares in Hachiko Pty Ltd (Hachiko), a specialised loyalty and rewards marketing agency, for a total acquisition enterprise value of \$3.03m. The acquisition was completed on 22 August 2022. Hachiko is a leading specialised loyalty and rewards marketing agency with staff and operations in Australia and New Zealand. Hachiko has extensive web / application development capabilities that facilitate the deployment of bespoke campaigns that utilise innovative engagement tools with attractive rewards to drive channel performance.

Financial Review

The financial statements for the half year ended 31 December 2022 represent the results of Gratificii Limited and its controlled entities for the period from 1 July 2022 to 31 December 2022.

CHANGES IN STATE OF AFFAIRS

Other than as stated elsewhere in this report, Directors are not aware of any other matters or circumstances at the date of this report that have significantly affected or may significantly affect the operations, the results of the operations or the state of affairs of the Group in subsequent financial years.

FUTURE DEVELOPMENTS AND BUSINESS STRATEGIES

Gratificii's vision is to provide everything a mid-to-top tier brand needs to build and manage a best-in-class loyalty program.

From our beginnings as a customer engagement software development company, we have developed Mosaic, a highly configurable loyalty platform, and then built out our rewards and marketing services expertise through the acquisition of Neat Ideas (April 2021) and Hachiko (August 2022) to become a full-spectrum loyalty and rewards provider.

Our business model comprises four major revenue streams:

- (i) a one-off licence, setup and implementation fee (for highly bespoke solutions, a development and customisation fee is also charged);
- (ii) annuity/recurring/SaaS fees – these include a number of options such as group monthly management fees, transaction fees, membership fees, and/or a fee per outlet;
- (iii) revenue streams from curated rewards content, which includes voucher issue or redemption commission, rentals, program administration and services fees; and
- (iv) monthly retainers from enterprise clients for member engagement programs.

Gratificii's strategy is to continue to grow our business through the provision of enterprise technology, rewards content and marketing services to mid-to-top tier brands.

EVENTS AFTER THE REPORTING PERIOD

Since the end of the reporting period, the following events occurred:

- On the 30th January 2023, the Company issued 357,000 Convertible Notes to Novus Capital. The Notes have a conversion price of \$0.023 per share and attract an interest rate of 10% per annum, and with an 18-month expiry from date of issue.
- On the 24th February 2023, Bombora Investment Management Pty Ltd converted 10 Convertible Notes, each with a face value of \$150,000 plus interest into Gratificii ordinary shares. Bombora Investment Management were issued 87,000,000 ordinary shares upon conversion.

The Directors are not aware of any other matters or circumstances at the date of this report that have significantly affected or may significantly affect the operations, the results of the operations or the state of affairs of the Group in subsequent financial years.

AUDITOR'S DECLARATION

A copy of the auditor's independence declaration as required under s307C of the *Corporations Act 2001* is included on page 6 of the financial report and forms part of the Directors' report.

Signed in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, consisting of a large loop followed by a horizontal stroke, positioned above a solid horizontal line.

Iain Dunstan

Managing Director

Date: 27 February 2023



**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF
THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF GRATIFII LIMITED AND CONTROLLED ENTITIES
ABN: 47 125 688 940**

In accordance with Section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Gratifii Limited.

As the auditor for the review of the financial report of Gratifii Limited for the half-year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. any applicable code of professional conduct in relation to the review.

MNSA PTY LTD

MNSA Pty Ltd

Mark Schiliro
Director

Sydney
Dated this 27th of February 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	NOTE	31 DECEMBER 2022 \$	31 DECEMBER 2021 \$
Revenue from continuing operations	6	14,050,321	4,651,585
Costs of Sales		(11,429,982)	(3,331,240)
Gross Profit		2,620,339	1,320,345
Other revenue	6	281,739	435,785
Depreciation and amortisation		(724,204)	(393,034)
Administrative and other corporate costs		(1,191,112)	(841,699)
Finance costs		(105,867)	(283,275)
Marketing costs		(36,175)	(1,898)
Employee benefits expense		(2,339,135)	(1,143,815)
Consulting expenses		(161,176)	(220,845)
Foreign exchange losses		(15,828)	(2,557)
Share based payments		(160,475)	(80,196)
Loss before income tax		(1,831,894)	(1,211,189)
Income tax expense		(2,764)	-
Net loss for the period		(1,834,658)	(1,211,189)
Gain/(loss) attributed to non-controlling interest		-	-
Loss attributed to owners of Gratifii Limited		(1,834,658)	(1,211,189)
Loss on derecognition of subsidiaries		(155,881)	(156,423)
Other comprehensive income, net of tax		126,397	148,087
Total comprehensive loss for the period		(1,864,142)	(1,219,525)
EARNINGS/(LOSS) PER SHARE:			
Basic earnings/(loss) per share (cents per share)	17	(0.19)	(0.20)
Diluted earnings/(loss) per share (cents per share)	17	(0.19)	(0.20)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	NOTE	31 DECEMBER 2022 \$	30 JUNE 2022 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		2,448,870	2,069,958
Trade and other receivables	7	1,616,606	1,408,866
Inventory		1,991,287	411,965
Other assets		642,966	329,761
TOTAL CURRENT ASSETS		6,699,729	4,220,550
NON-CURRENT ASSETS			
Intangible assets	8	13,154,305	8,927,341
Plant and equipment		341,359	431,491
TOTAL NON-CURRENT ASSETS		13,495,664	9,358,832
TOTAL ASSETS		20,195,393	13,579,382
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	7,509,982	4,447,605
Deferred revenue	10	1,413,129	333
Acquisition liabilities	5	950,000	-
Provisions	11	140,215	211,323
Borrowings	12	1,713,367	2,947,797
Lease liabilities	13	159,339	158,514
TOTAL CURRENT LIABILITIES		11,886,032	7,765,572
NON-CURRENT LIABILITIES			
Provisions	11	27,336	10,458
Borrowings	12	1,447,000	133,597
Lease liabilities	13	91,778	172,885
TOTAL NON-CURRENT LIABILITIES		1,566,114	316,940
TOTAL LIABILITIES		13,452,146	8,082,512
NET ASSETS		6,743,247	5,496,870
EQUITY			
Share capital	15	43,538,676	40,588,632
Reserves	16	168,138	(58,704)
Accumulated losses		(36,963,567)	(35,033,058)
TOTAL EQUITY		6,743,247	5,496,870

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	Issued Capital \$	Foreign currency reserve \$	Option Reserve \$	Accumulated Losses \$	Total \$
Balance as at 1 July 2022	40,588,632	(509,430)	450,726	(35,033,058)	5,496,870
Loss after income tax for the period	-	-	-	(1,990,539)	(1,990,539)
Other comprehensive income for the period after tax	-	126,397	-	-	126,397
Total comprehensive loss for the period	-	126,397	-	(1,990,539)	(1,864,142)
Contributions of equity, net of transaction costs	2,950,044	-	-	-	2,950,044
Issue of options	-	-	160,475	-	160,475
Lapsing of options	-	-	(60,030)	60,030	-
Balance as at 31 December 2022	43,538,676	(383,033)	551,171	(36,963,567)	6,743,247

	Issued Capital \$	Foreign currency reserve \$	Option Reserve \$	Accumulated Losses \$	Total \$
Balance as at 1 July 2021	34,027,091	(525,193)	411,502	(32,599,474)	1,313,926
Loss after income tax for the period	-	-	-	(1,367,612)	(1,367,612)
Other comprehensive income for the period after tax	-	148,087	-	-	148,087
Total comprehensive loss for the period	-	148,087	-	(1,367,612)	(1,219,525)
Contributions of equity, net of transaction costs	330,989	-	-	-	330,989
Conversion of options into shares	120,000	-	(120,000)	-	-
Issue of options	-	-	80,196	-	80,196
Balance as at 31 December 2021	34,478,080	(377,106)	371,698	(33,967,086)	505,586

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	31 DECEMBER 2022 \$	31 DECEMBER 2021 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	11,271,663	4,880,115
Payments for suppliers and employees	(10,958,420)	(4,751,779)
Proceeds from research and development rebates	839,810	571,506
Interest received	1,344	513
Finance costs paid	(3,304)	(11,143)
Net cash from operating activities	1,151,093	689,212
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for purchase of subsidiary	(2,150,227)	-
Payments for intangible assets	(1,532,113)	(1,495,841)
Cash received on acquisition	466,656	-
Net cash (used in) investing activities	(3,215,684)	(1,495,841)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares (net of costs)	1,250,000	-
Proceeds from issue of convertible debt	1,447,000	1,550,000
Share issue transaction costs	(123,005)	-
Transaction costs related to borrowings	(40,496)	(44,248)
Repayment of borrowings	-	(216,944)
Lease assets	(89,996)	(68,275)
Net cash from financing activities	2,443,503	1,220,533
Net increase in cash and cash equivalents	378,912	413,904
Cash and cash equivalents at the beginning of the period	2,069,958	2,227,915
Effects of exchange rates on cash and cash equivalents	-	-
Cash and cash equivalents at the end of the period	2,448,870	2,641,819

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

NOTE 1: NATURE OF OPERATIONS

Gratificii Limited is a listed public company incorporated and domiciled in Australia.

Registered office:

Suite 2, Level 1, 44a Foveaux Street
Surry Hills NSW 2010

Principal Place of Business:

Suite 2, Level 1, 44a Foveaux Street
Surry Hills NSW 2010

NOTE 2: BASIS OF PREPARATION

These interim financial statements for the half-year reporting period ended 31 December 2022 are for the consolidated entity consisting of Gratificii Limited and its controlled entities (the "Company") and have been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001, as appropriate for for-profit entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting.

These interim 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 2022 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.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 27 February 2023.

NOTE 3: SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

New or amended Accounting Standards and Interpretations adopted

There were no new or revised Accounting Standards and Interpretations in the current half-year reporting period.

NOTE 4: GOING CONCERN

The interim 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.

For the half year ended 31 December 2022, the Consolidated Entity incurred a Total Comprehensive Loss for the period of \$1,864,142 (2021: \$1,219,525), had net cash inflows from operating activities of \$1,151,093 (2021: \$689,212), and at 31 December 2022 had a deficiency of current assets in relation to current liabilities of \$5,186,303 (June 2022: \$3,545,022) and net assets of \$6,743,247 (June 2022: \$5,496,870).

The net current liabilities position may cast uncertainty over the Group's ability to continue as a going concern. However, management believe that the entity will continue as a going concern on the basis that \$1,708,028 of current liabilities related to convertible notes that can be converted at the company's election, as well as the \$950,000 acquisition liability which will be settled in shares.

The directors have prepared projected cash flow information for the twelve months from the date of approval of these financial statements taking into consideration the future expectations of trading performance and investment in the Company, including plausible downside forecast scenarios. Key to the forecasts are the assumptions of revenue growth across SaaS and Rewards, working capital cashflows in relation to Rewards and the capital investment required in the Mosaic platform. These forecasts indicate that, taking account of reasonably possible downsides, to support the Group's liquidity over the forecast period may require additional capital.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

The directors expect if required to be able to raise additional capital through a pipeline of supportive existing and new financial investors based on recent market soundings. The successful outcome of any capital raise is not guaranteed and is subject to agreeing suitable commercial terms, as well as approval by the Board, and existing shareholders if required under applicable legislation / listing rules.

In the Directors opinion, based upon the forecasts and that the Group will be able to raise sufficient new capital, there are reasonable grounds to believe that the consolidated entity will be able to continue as a going concern, and that it is appropriate to prepare these accounts on a going concern basis. As a result, the accounts have been prepared on the basis that the consolidated entity can meet its commitments as and when they fall due and can therefore continue business activities and can realise its assets and extinguish its liabilities in the ordinary course of business. The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity does not continue as a going concern.

NOTE 5: BUSINESS COMBINATIONS

On 22 August 2022, Gratificii Limited completed an acquisition of 100% of the shares in Hachiko Pty Ltd, a specialised loyalty and rewards marketing agency. The Company acquired Hachiko Pty Ltd for 3,590,000, of which \$2,140,000 was settled in cash, \$500,000 settled in shares subject to a 12-month escrow period, and a further \$950,000 to be settled in shares 12 months from the completion date.

	\$
<i>Consideration transferred</i>	
Cash consideration paid	2,140,000
Consideration settled in shares	500,000
Consideration payable in shares	950,000
	3,590,000
Less: net assets acquired in Hachiko Pty Ltd at the date of acquisition	(264,404)
Goodwill recognised on acquisition	3,325,596

The purchase price of Hachiko Pty Ltd based on a locked box date of 30 June 2022. As a result, the fair value of the identifiable assets and liabilities are determined as at 1 July 2022 and detailed as follows:

	1 JULY 2022 \$
ASSETS	
Cash and cash equivalents	466,272
Trade and other receivables	1,820,916
Other assets	301,100
Plant and equipment	11,831
TOTAL ASSETS	2,600,119
LIABILITIES	
Trade and other payables	670,948
Deferred revenue	1,564,644
Provisions	100,123
TOTAL LIABILITIES	2,335,715
NET ASSETS	264,404

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

NOTE 6: REVENUE AND OTHER INCOME

	31 DECEMBER 2022	31 DECEMBER 2021
	\$	\$
Ordinary revenue from customers	14,050,321	4,651,585
Research and development rebates	-	357,624
Service NSW payments	-	77,442
Recognising reduced purchase price of acquisition through profit or loss and other comprehensive income statement	281,078	-
Other income	661	719
	14,332,060	5,087,370

NOTE 7: TRADE AND OTHER RECEIVABLES

	31 DECEMBER 2022	30 JUNE 2022
	\$	\$
Current		
Trade receivables	1,609,452	301,789
Less: provision for doubtful debts	(26,200)	(26,200)
Net trade receivables	1,583,252	275,589
Other receivables	33,354	293,467
Research and development rebates	-	839,810
	1,616,606	1,408,866

NOTE 8: INTANGIBLE ASSETS

	31 DECEMBER 2022	30 JUNE 2022
	\$	\$
Goodwill on acquisition – Neat Tickets Pty Ltd	3,274,987	3,274,987
Less: accumulated impairment – Neat Tickets Pty Ltd	-	-
Total Goodwill on acquisition – Neat Tickets Pty Ltd	3,274,987	3,274,987
Goodwill on acquisition – Hachiko Pty Ltd	3,325,596	-
Less: accumulated impairment – Hachiko Pty Ltd	-	-
Total Goodwill on acquisition – Hachiko Pty Ltd	3,325,596	-
Total Goodwill	6,600,583	3,274,987
Capitalised development cost	8,183,423	6,651,308
Less: accumulated impairment	(1,629,701)	(998,954)
Total capitalised development cost	6,553,722	5,652,354
Total	13,154,305	8,927,341
Reconciliation of net carrying values		
Goodwill		
Opening balance	3,274,987	1,643,909
Additions	3,325,596	1,631,078
Net carrying value	6,600,583	3,274,987
Capitalised development cost		
Opening balance	5,652,354	2,882,034
Additions	1,532,515	3,547,037
Amortisation for period	(631,147)	(776,717)
Net carrying value	6,553,722	5,652,354
Total	13,154,305	8,927,341

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

Impairment testing

Mosaic Enterprise Engagement Platform

There are no observable factors, internal or external to the Company, that indicate the Mosaic platform is required to be impaired.

NOTE 9: TRADE AND OTHER PAYABLES

	31 DECEMBER 2022	30 JUNE 2022
	\$	\$
Current		
Trade creditors	5,757,328	3,883,948
Sundry payables and accrued expenses	1,742,786	548,037
Credit cards	9,868	15,620
Total	7,509,982	4,447,605

NOTE 10: DEFERRED REVENUE

	31 DECEMBER 2022	30 JUNE 2022
	\$	\$
Current		
	1,413,129	333
Total	1,413,129	333

NOTE 11: PROVISIONS

	31 DECEMBER 2022	30 JUNE 2022
	\$	\$
Current		
Employee benefits – annual leave	242,889	152,206
Provision for taxation	(102,674)	59,117
	140,215	211,323
Non-Current		
Employee benefits – long service leave	27,336	10,458
	27,336	10,458

NOTE 12: BORROWINGS

	31 DECEMBER 2022	30 JUNE 2022
	\$	\$
Current		
<u>Term Loans</u>		
Convertible note liability	1,708,028 ⁽ⁱ⁾	2,935,087
Loan liabilities	5,339	12,710
	1,713,367	2,947,797
Non-Current		
Loans	734,000	133,597
Convertible note liability	713,000 ⁽ⁱⁱ⁾	-
	1,447,000	133,597

- (i) On 24 February 2021, the Group issued 10 convertible notes with a face value of \$150,000 each to Bombora Investment Management Pty Ltd ATF Bombora Special Investments Growth Fund ('Bombora'). The \$1,500,000 in unsecured debt is provided for a term of 24 months from the original date of the Bombora Loan Agreement, with expiry being 24 February 2023, at an interest rate of 8% p.a.
- (ii) On 22 August 2022, the Group issued 713,000 convertible notes at a face value of \$1.00. The unsecured debt was provided by various sophisticated investors. They will expire on 21 February 2024 and attract an interest rate of 10% p.a.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

NOTE 13: LEASE LIABILITIES

	31 DECEMBER 2022 \$	30 JUNE 2022 \$
Current		
Lease liabilities	159,339	158,514
Non-Current		
Lease liabilities	91,778	172,885

(a) Maturity Analysis

	Less than 6 months	6 months to 1 year	1 to 5 years	5+ years	Total
Lease payments	83,160	84,240	93,081	-	260,481
Finance charges	(4,928)	(3,133)	(1,303)	-	(9,364)
Net present values	78,232	81,107	91,778	-	251,117

NOTE 14: FAIR VALUE MEASUREMENTS

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, and based on the lowest level input that is significant to the fair value measurements as a whole:

- Level 1: Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities.
- Level 2: Valuation techniques (for which the lowest level input that is significant to the fair value measurements is directly observable.
- Level 3: Valuation techniques (for which the lower-level input that is significant to the fair value measurement is unobservable.

	LEVEL	AS AT 31 DECEMBER 2022		AS AT 30 JUNE 2022	
		CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
		\$	\$	\$	\$
Financial assets					
Cash and cash equivalents	1	2,448,870	2,448,870	2,069,958	2,069,958
Trade and other receivables	1	1,616,606	1,616,606	1,408,866	1,408,866
Other assets	1	642,966	642,966	329,761	329,761
Financial liabilities					
Trade and other payables	1	7,509,982	7,509,982	4,447,605	4,447,605
Deferred revenue	2	1,413,129	1,413,129	333	333
Acquisition liabilities	2	950,000	950,000	-	-
Borrowings	2	3,160,367	3,160,367	3,081,394	3,081,394
Lease liabilities	2	251,117	251,117	331,399	331,399

The following table represents a comparison between the carrying amounts and fair values of financial assets and liabilities.

	LEVEL	AS AT 31 DECEMBER 2022		AS AT 30 JUNE 2022	
		CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
		\$	\$	\$	\$
Non-financial assets					
Inventory	2	1,991,287	1,991,287	411,965	411,965
Plant and equipment	2	341,359	341,359	431,491	431,491
Non-financial liabilities					
Provisions	2	167,551	167,551	221,781	221,781

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

NOTE 15: ISSUED CAPITAL

Fully Paid Ordinary Shares	31 DECEMBER 2022 NO.	31 DECEMBER 2022 \$	30 JUNE 2022 NO.	30 JUNE 2022 \$
At the beginning of the period	868,087,204	40,588,632	610,425,090	34,027,091
Shares placement	69,444,444	1,250,000	137,249,995	3,568,500
Settlement of business acquisition	19,230,769	500,000		
Options converted	-	-	6,000,000	120,000
Convertible notes converted	50,884,677	1,323,049	114,412,119	3,136,572
Costs of issue	-	(123,005)	-	(263,531)
At the end of the period	1,007,647,094	43,538,676	868,087,204	40,588,632

Each ordinary share carries the right to be one vote at shareholders' meetings and is entitled to participate in any dividends or other distributions of the Company.

NOTE 16: RESERVES

	31 DECEMBER 2022 \$	30 JUNE 2022 \$
Option reserve		
Opening balance	450,726	411,502
Converted into ordinary shares	-	(120,000)
Issue of options	160,475	159,224
Options lapsed	(60,030)	-
Closing balance	551,171	450,726
Foreign Currency translation reserve		
Opening balance	(509,430)	(525,193)
Foreign currency translation	126,397	15,763
Closing balance	(383,033)	(509,430)
Total reserves	168,138	(58,704)

NOTE 17: EARNINGS PER SHARE

	31 DECEMBER 2022 \$	31 DECEMBER 2021 \$
Loss after income tax attributable to the owners of Gratificii Limited	(1,834,658)	(1,211,189)
	NO.	NO.
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	957,255,774	615,165,967
Basic and diluted loss per share (cents per share)	(0.19)	(0.20)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

NOTE 18: OPERATING SEGMENTS

The Group operates in one industry segment being technology development and associated content. The Group is organised into three geographical segments: Australia, South Africa and Singapore.

31 December 2022	AUSTRALIA	SOUTH AFRICA	SINGAPORE	UNALLOCATED	TOTAL
	\$	\$	\$	\$	\$
Revenue and other income					
External sales	12,775,757	1,246,608	27,956	-	14,050,321
Recognising reduced purchase price of acquisition through profit or loss and other comprehensive income statement	281,078	-	-	-	281,078
Other income	361	300	-	-	661
Total segment revenue and other income	13,057,196	1,246,908	27,956	-	14,332,060
Segment net profit before tax and other items	(1,263,478)	155,266	522	-	(1,107,690)
Depreciation and amortisation	(706,619)	(17,585)	-	-	(724,204)
Net income before income tax	(1,970,097)	137,681	522	-	(1,831,894)
Loss on derecognition of subsidiaries	(155,881)	-	-	-	(155,881)
Other comprehensive income/(loss)	-	3,964	122,433	-	126,397
Net income before income tax	(2,125,978)	141,645	122,955	-	(1,861,378)
Income tax expense	(2,764)	-	-	-	(2,764)
Net income after income tax	(2,128,742)	141,645	122,955	-	(1,864,142)
Segment assets at 31 December 2022	16,232,066	1,955,339	2,007,988	-	20,195,393
Segment liabilities at 31 December 2022	(9,686,977)	(432,586)	(3,332,583)	-	(13,452,146)

31 December 2021	AUSTRALIA	SOUTH AFRICA	SINGAPORE	UNALLOCATED	TOTAL
	\$	\$	\$	\$	\$
Revenue and other income					
External sales	3,692,256	925,724	33,605	-	4,651,585
Other income	435,280	505	-	-	435,785
Total segment revenue and other income	4,127,536	926,229	33,605	-	5,087,370
Segment net profit before tax and other items	(1,142,331)	344,347	(20,171)	-	(818,155)
Depreciation and amortisation	(371,851)	(20,835)	(348)	-	(393,034)
Net income before income tax	(1,514,182)	323,512	(20,519)	-	(1,211,189)
Loss on derecognition of subsidiaries	(156,423)	-	-	-	(156,423)
Other comprehensive income/(loss)	-	(54,477)	202,564	-	148,087
Net income before income tax	(1,670,605)	269,035	182,045	-	(1,219,525)
Income tax benefit	-	-	-	-	-
Net income after income tax	(1,670,605)	269,035	182,045	-	(1,219,525)
Segment assets at 31 December 2021	10,737,140	517,500	5,009	-	11,259,649
Segment liabilities at 31 December 2021	(5,874,764)	(1,762,036)	(3,117,263)	-	(10,754,063)

NOTE 19: CONTINGENT LIABILITIES

The Group is unaware of any contingent liabilities that may have a material impact on the Group's financial position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

NOTE 20: EVENTS OCCURRING AFTER THE REPORTING PERIOD

Since the end of the reporting period, the following events occurred:

- On the 30th January 2023, the Company issued 357,000 Convertible Notes to Novus Capital. The Notes have a conversion price of \$0.023 per share and attract an interest rate of 10% per annum, and with an 18-month expiry from date of issue.
- On the 24th February 2023, Bombora Investment Management Pty Ltd converted 10 Convertible Notes, each with a face value of \$150,000 plus interest into Gratifii ordinary shares. Bombora Investment Management were issued 87,000,000 ordinary shares upon conversion.

The Directors are not aware of any other matters or circumstances at the date of this report that have significantly affected or may significantly affect the operations, the results of the operations or the state of affairs of the Group in subsequent financial years.

DIRECTORS' DECLARATION

1. In the opinion of the Board of Directors of Gratifii Limited:

- a. the consolidated financial statements and notes of Gratifii Limited are in accordance with the *Corporations Act 2001*, including:
 - i. Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2022 and of its performance for the half year ended on that date; and
 - ii. Complying with the Australian Accounting Standards AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- b. There are reasonable grounds to believe that Gratifii Limited will be able to pay its debts as and when they become payable.

Signed in accordance with a resolution of the Board of Directors:

A handwritten signature in black ink, appearing to be "Iain Dunstan", written over a horizontal line.

Iain Dunstan
Managing Director

Date: 27 February 2023



INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF GRATIFII LIMITED AND CONTROLLED ENTITIES ABN 47 125 688 940

Conclusion

We have reviewed the half-year financial report of Gratifii Limited, which comprises the consolidated statement of financial position as at 31 December 2022, 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 then ended, a summary of significant accounting policies and other explanatory information, 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 Gratifii Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Gratifii Limited financial position as at 31 December 2022 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 Gratifii Limited 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.

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

Emphasis of Matter on Going Concern

We draw your attention to Note 4 on going concern in the financial report, which indicates that the Group incurred an operating loss after tax from continuing operations \$1,864,142 (December 2021 loss: \$1,219,525) and net cash inflows from operating activities of \$1,151,093 (2021: \$689,212) during the half year ended 31 December 2022 and, as of that date, the Group's current liabilities exceeded its current assets by \$5,186,303 (June 2022: \$3,545,022) and net assets of \$6,743,247 (June 2022: \$5,496,870). Noting that \$1,708,028 of current liabilities represent convertible note liabilities (refer to Note 12) which the Group expects will be repaid through the issue of shares and \$950,000 acquisition liability which will be settled in shares. As stated in Note 4, these events and conditions, along with other matters set forth in



Note 4, indicate that a material uncertainty exists that may cast doubt of the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Responsibility of the Directors for the Financial Report

The directors of Gratifii Limited 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 for the Review of the Financial Report

ASRE 2410 requires us to conclude whether 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 2022 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.

MNSA PTY LTD

MNSA Pty Ltd

Mark Schiliro
Director

Sydney
Dated this 27th of February 2023