

StraxCorp Pty Ltd

ABN 32 140 706 618

Financial Statements

For the Year Ended 30 June 2021

StraxCorp Pty Ltd

ABN 32 140 706 618

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For the Year Ended 30 June 2021

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Corporate Directory

30 June 2021

Directors

Robert Lilley	Non-Executive Chair
Gregory Brown	Managing Director and CEO
David Seeman	Non-Executive Director
Hashan De Silva	Non-Executive Director

CFO, COO and Company Secretary

Ura Auckland

Registered office

Suite 5, Level 10, 470 Collins St., Melbourne VIC 3000

Auditor

PricewaterhouseCoopers
Level 19/2 Riverside Quay, Southbank VIC 3006

Solicitor (Australia)

Johnson Winter & Slattery
Level 29/111 Eagle St, Brisbane City QLD 4000

Legal Counsel (USA)

Sheppard Mullin
30 Rockefeller Plaza
New York, NY 10112-0015
Phone: +1 212-653-8700

StraxCorp Pty Ltd

ABN 32 140 706 618

Directors' Report

30 June 2021

The directors present their report on StraxCorp Pty Ltd (or the "Company") for the financial year ended 30 June 2021.

Directors

The names of each person who has been a director during the year and to the date of this report are:

Names	Position	Appointed/Resigned
Robert Lilley	Non-Executive Chair (a)	Appointed on 16 April 2021
Gregory Brown	Managing Director and CEO (b)	
David Seeman	Non-Executive Director	
Professor Ego Seeman	Non-Executive Director	Resigned on 17 March 2021
Aloys Mbala	Non-Executive Director	Resigned on 17 March 2021
Roger Zebaze	Non-Executive Director	Resigned on 7 September 2021
Hashan De Silva	Non-Executive Director	Appointed on 1 October 2021

a) Robert Lilley was appointed as Non-Executive Director on 16 April 2021 and Chair on 26 April 2021

b) Gregory Brown resigned as Executive Chairman on 26 April 2021

The Remuneration Committee is made up by Committee Chair David Seeman. During the year until his resignation on 17 March 2021, Aloys Mbala was a member of the committee. Hashan De Silva was appointed to the Remuneration Committee on 1 October 2021.

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

Principal activities

The principal activity of StraxCorp Pty Ltd during the financial year was the development, validation and preparations for commercialisation of an HR-pQCT Medical Device and Software as a Service (SaaS) platform to support clinicians in their clinical diagnosis of bone fragility in patients.

No significant changes in the nature of the Company's activity occurred during the financial year.

Operating results and review of operations

The loss of the Company after providing for income tax amounted to \$ 2,820,996 (2020: \$ 2,173,153).

Revenue for the year increased from \$610,762 in the June 2020 financial year to \$750,665, primarily being a result of the increase in the R&D tax rebate for the corresponding year, and receipt of EMDG income during the year.

Directors' Report**30 June 2021****Operating results and review of operations (continued)**

Total expenses increased from \$2,857,635 to \$3,615,655, primarily as a result of additional consulting and employee expenses, as the company continues to grow and develop. Please see breakdown of total expenditure by function as below for further details.

	2021	2020
	\$	\$
Corporate expenditure	1,967,752	1,159,280
Info tech expenditure	31,685	29,859
Sales and marketing expenditure	247,520	397,648
Quality and regulatory costs	207,733	140,679
Research and development costs	1,160,965	1,130,169
Total expenses	3,615,655	2,857,635

The company made no sales during the financial year, and its focus was finalising clinical validation of its HR-pQCT device, preparing regulatory clearance files, and preparations for Beta Site evaluations planned for early 2022. The company's activities were impacted by COVID-19, as detailed in the Impact of COVID-19 section below.

With the completion of a Pre-IPO Capital Raising on 2 September 2021, the company completed a raise of fresh capital of \$17,317,000 and rolled Director loans of \$1,750,000 into a total convertible note facility of \$19,067,000 (before costs). This raising was a major focus for the company through the financial year working with Joint Lead Managers Bell Potter and Lodge Partners.

Resources through the year were kept lean pending completion of the capital raising, and a number of executives and contractors worked under arrangements with deferred payment, with those payments accrued.

Options

A list of issued options during the financial year has been disclosed in Note 19.

Significant changes in state of affairs

On 31 December 2020, \$4,267,745 in convertible notes converted into 131,336 ordinary shares at a conversion price of \$32.4971.

There have been no other significant changes in the state of affairs of the Company during the year.

Events after the reporting date

On 2 September 2021 the Company completed the Pre-IPO Capital Raising by Convertible Notes, under a Convertible Note Deed signed on 25 August 2021 for a total raising of \$19,067,000 (before costs), including rolling over Director Loans of \$1,750,000 into the facility.

Following completion of the Pre-IPO Capital Raising, an opportunity for a potential M&A transaction has arisen, and on 17 September 2021 a non-binding Scrip for Scrip Heads of Agreement was signed between the Company and a US based business.

The Company has entered into engagement letters with accountants PricewaterhouseCoopers (or "PWC"), Australian lawyers Johnson Winter Slattery, and US lawyers Sheppard Mullin to support the exploration and, if appropriate, execution of the potential M&A transaction. Given the transaction is across international borders, costs may be significant to work through technical complexities, but cannot be accurately estimated at this early stage. The company will proceed only if due diligence clearly affirms the business case that presents at a strategic level.

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Directors' Report

30 June 2021

Events after the reporting date (continued)

On 20 October 2021 Morrows Audit resigned as auditors of the Company, as part of an orderly transition to PWC in support of the path to an anticipated listing on the Australian Securities Exchange.

On 4 December 2021 the Company entered into a Heads of Agreement Supplement to secure an exclusivity period with respect to the M&A transaction to 30 June 2022, agreeing cost sharing in the event that a transaction did not proceed, and agreeing full cost recovery in the event of a competing transaction, plus a break fee of USD 3,000,000 to StraxCorp recompensing time, costs and focus.

Aside from the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

Future developments and results

Refer to the principal activities and review of operations sections above for additional information on the likely developments and expected results of operations.

Further information have not been included in this report because the directors believe it would likely result in unreasonable prejudice to the consolidated entity.

Impact of COVID-19

The outbreak of COVID-19 and the subsequent quarantine measures imposed by the Australian, US and other governments, as well as the travel and trade restrictions imposed by Australia, US and other countries through financial periods ended June 2020 and June 2021, have caused disruption to businesses and economic activity. For the Company this has particularly impacted its clinical validation trial for its HR-pQCT and its capital raising processes necessary for scale up and commercial launch. Delays since March of 2020 have cumulatively impacted launch timing by around 12 months.

In response to COVID-19, the Australian and US Governments' implemented policies and measures through calendar years 2020 and 2021 with the aim of containing the virus, with most jurisdictions requiring extended social and workplace restrictions. Other than as outlined above, these measures have not had any material impact on the business.

The Company's business operations currently remain resilient in the face of the challenges presented by these continuing social and workplace restrictions.

Environmental regulation

The Company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

Indemnification and insurance of officers and auditors

The Company paid insurance premiums under an insurance policy to cover directors and officers liability of \$5,635 (ex GST) during the prior financial year for a policy renewal with a \$2,000,000 limit, and \$2,008 in August 2020 to extend the policy limit to \$5,000,000. Directors are indemnified under Deeds of Indemnity signed between the company and each Director. Other than as noted here there are no other indemnities given for any person who is or has been an officer or auditor of StraxCorp Pty Ltd.

Proceedings on behalf of company

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


StraxCorp Pty Ltd

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Directors' Report

30 June 2021

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


Director:
Gregory Brown
Managing Director and CEO


Director:
Robert Lilley
Non-Executive Chair

Dated this 12th day of January 2022

StraxCorp Pty Ltd

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Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2021

		2021	2020
	Note	\$	\$
Revenue	4	750,665	610,762
Other income	4	43,994	73,720
Consulting and professional fees	6(a)	(1,447,511)	(945,627)
Human resource expenses	6(b)	(1,340,445)	(1,080,536)
Administrative, insurance and information technology expenses	6(c)	(196,833)	(96,784)
Depreciation and amortisation expense		(89,878)	(182,266)
Occupancy costs		(70,500)	(66,161)
Travel and entertainment expenses		(64,839)	(184,503)
Research and development expenses		(28,546)	(56,630)
Marketing expenses		(1,476)	(24,154)
Product and market registration expenses		(12,865)	(16,180)
Finance expenses	5	(350,609)	(186,510)
Other expenses		(12,153)	(18,284)
Loss before income tax		(2,820,996)	(2,173,153)
Income tax expense	7	-	-
Loss for the year		(2,820,996)	(2,173,153)
Other comprehensive income/(loss) for the year, net of tax		-	-
Total comprehensive loss for the year		(2,820,996)	(2,173,153)

The accompanying notes form part of these financial statements.

StraxCorp Pty Ltd

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**Statement of Financial Position
As At 30 June 2021**

	Note	2021 \$	2020 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	202,399	312,908
Trade and other receivables	9	672,900	649,539
Other assets	10	36,538	30,615
TOTAL CURRENT ASSETS		911,837	993,062
NON-CURRENT ASSETS			
Property, plant and equipment	11	5,347	8,400
Intangible assets	12	527,568	319,112
Other assets	10	11,044	11,044
TOTAL NON-CURRENT ASSETS		543,959	338,556
TOTAL ASSETS		1,455,796	1,331,618
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	1,167,052	432,601
Borrowings	14	349,157	302,331
Provisions	15	200,087	115,648
TOTAL CURRENT LIABILITIES		1,716,296	850,580
NON-CURRENT LIABILITIES			
Borrowings	14	1,940,562	-
Provisions	15	11,985	16,163
Other financial liabilities	16	-	4,172,133
TOTAL NON-CURRENT LIABILITIES		1,952,547	4,188,296
TOTAL LIABILITIES		3,668,843	5,038,876
NET LIABILITIES		(2,213,047)	(3,707,258)
EQUITY			
Issued capital	17	6,991,485	2,763,740
Share-based payment reserves	19	425,711	338,249
Accumulated losses	18	(9,630,243)	(6,809,247)
TOTAL EQUITY		(2,213,047)	(3,707,258)

The accompanying notes form part of these financial statements.

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Statement of Changes in Equity
For the Year Ended 30 June 2021**2021**

		Issued Capital	Accumulated losses	Share-based payment reserves	Total
	Note	\$	\$	\$	\$
Balance at 1 July 2020		2,763,740	(6,809,247)	338,249	(3,707,258)
Loss for the year		-	(2,820,996)	-	(2,820,996)
Shares from conversion of convertible notes	17	4,267,745	-	-	4,267,745
Capital raising costs	17	(40,000)	-	-	(40,000)
Share based payment transactions	19	-	-	87,462	87,462
Balance at 30 June 2021		6,991,485	(9,630,243)	425,711	(2,213,047)

2020

		Issued Capital	Accumulated losses	Share-based payment reserves	Total
		\$	\$	\$	\$
Balance at 1 July 2019		2,763,740	(4,636,094)	338,249	(1,534,105)
Loss for the year		-	(2,173,153)	-	(2,173,153)
Balance at 30 June 2020		2,763,740	(6,809,247)	338,249	(3,707,258)

The accompanying notes form part of these financial statements.

StraxCorp Pty Ltd

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Statement of Cash Flows
For the Year Ended 30 June 2021

	Note	2021	2020
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts for R&D tax offset		610,762	685,651
Receipts from other grants		117,063	-
Receipts for COVID-19 stimulus		42,998	50,000
Interest received		475	11,220
Interest paid		(3,909)	(1,769)
Payments to suppliers and employees		(2,278,917)	(1,809,267)
Net cash provided by/(used in) operating activities	26	(1,511,528)	(1,064,165)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payment for intangible asset		(295,281)	(198,776)
Purchase of property, plant and equipment		-	(263)
Net cash provided by/(used in) investing activities		(295,281)	(199,039)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from related party loans		2,296,110	-
Repayment of related party loans		(559,810)	-
Payment of transaction costs		(40,000)	-
Net cash provided by/(used in) financing activities		1,696,300	-
Net increase/(decrease) in cash and cash equivalents held		(110,509)	(1,263,204)
Cash and cash equivalents at beginning of year		312,908	1,576,112
Cash and cash equivalents at end of financial year	8	202,399	312,908

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2021

The financial report covers StraxCorp Pty Ltd as an individual entity. StraxCorp Pty Ltd is a for-profit proprietary Company limited by shares, incorporated and domiciled in Australia.

The functional and presentation currency of StraxCorp Pty Ltd is Australian dollars.

The financial report was authorised for issue by the Directors on 12 January 2022.

1 Basis of Preparation

These consolidated financial statements have been prepared in accordance with the Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This annual financial report for the year ended 30 June 2021 is the first StraxCorp Pty Ltd annual financial report to be prepared in accordance with Australian Accounting Standards. AASB 1 First time Adoption of Australian Accounting Standards has been applied in preparing these financial statements, with a transition date of 1 July 2019.

Financial statements of the Group until 30 June 2020 had been prepared in accordance with the recognition and measurement requirements of Australian Accounting Standards only. The Company's adoption of AASB 1 did not have any impact on the financial position, financial performance and cash flows of the Company. Because there was no change in recognition or measurement of balances due to the adoption of AASB 1, these financial statements do not include any AASB 1 first-time adoption reconciling items or an opening balance sheet.

These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Changes to presentation

Comparative information is reclassified where appropriate to enhance comparability and provide more appropriate information to users.

2 Summary of Significant Accounting Policies

(a) Revenue and other income

Revenue from contracts with customers

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue as and when control of the performance obligations is transferred

Notes to the Financial Statements

For the Year Ended 30 June 2021

2 Summary of Significant Accounting Policies (continued)

(a) Revenue and other income (continued)

Revenue from contracts with customers (continued)

Generally the timing of the payment for sale of goods and rendering of services corresponds closely to the timing of satisfaction of the performance obligations, however where there is a difference, it will result in the recognition of a receivable, contract asset or contract liability.

None of the revenue streams of the Company have any significant financing terms as there is less than 12 months between receipt of funds and satisfaction of performance obligations.

Grant revenue

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

Other income

Other income is recognised on an accruals basis when the Company is entitled to it.

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

(b) Income Tax

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

(c) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

(d) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Notes to the Financial Statements

For the Year Ended 30 June 2021

2 Summary of Significant Accounting Policies (continued)

(e) Financial instruments

Financial instruments are recognised initially on the date that the Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, the Company classifies its financial assets into the following categories, those measured at:

- amortised cost

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

The Company's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for the following assets:

- financial assets measured at amortised cost

Notes to the Financial Statements

For the Year Ended 30 June 2021

2 Summary of Significant Accounting Policies (continued)

(e) Financial instruments (continued)

Financial assets (continued)

When determining whether the credit risk of a financial assets has increased significant since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment and including forward looking information.

The Company uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Company uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Company in full, without recourse to the Company to actions such as realising security (if any is held); or
- the financial assets is more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the Company in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

Trade receivables

Impairment of trade receivables have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Company has determined the probability of non-payment of the receivable and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the Company renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Other financial assets measured at amortised cost

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

Financial liabilities

The Company measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

Notes to the Financial Statements

For the Year Ended 30 June 2021

2 Summary of Significant Accounting Policies (continued)

(e) Financial instruments (continued)

Financial liabilities (continued)

The financial liabilities of the Company comprise trade payables and convertible notes.

(f) Impairment of non-financial assets

At the end of each reporting period the Company determines whether there is an evidence of an impairment indicator for non-financial assets.

Where an indicator exists and regardless for indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss.

(g) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(h) Property, plant and equipment

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

Fixed asset additions under \$6,000 are written off. All assets over \$6,000 are depreciated over their useful lives to the company. Each year, the difference between depreciation based on the revalued carrying amounts of the assets charged to the income statement. Depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Depreciation

Property, plant and equipment is depreciated on a straight-line basis over the assets useful life to the Company, commencing when the asset is ready for use.

Notes to the Financial Statements

For the Year Ended 30 June 2021

2 Summary of Significant Accounting Policies (continued)

(i) Intangible assets

Patents and trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life of 5 years.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use.

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

(j) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the company during the reporting period, which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(k) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

(l) Provisions

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

(m) Equity-settled compensation

The Company operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using either the Binomial or Black-Scholes pricing model which incorporates all market vesting conditions. The amount to be expensed is determined by reference to the fair value of the options or shares granted, this expense takes in account any market performance conditions and the impact of any non-vesting conditions but ignores the effect of any service and non-market performance vesting conditions.

Non-market vesting conditions are taken into account when considering the number of options expected to vest. At the end of each reporting period, the Company revises its estimate of the number of options which are expected to vest based on the non-market vesting conditions. Revisions to the prior period estimate are recognised in profit or loss and equity.

Notes to the Financial Statements

For the Year Ended 30 June 2021

2 Summary of Significant Accounting Policies (continued)

(n) Contingent liability

The research and development grants received by the Company may be subject to review by AusIndustry and subsequent claw back of funds should there be a determination of non-confirming claims.

(o) Going concern

The Directors of the Company have prepared this financial report on the basis that the group will continue to operate as a going concern and that the debts of the business will continue to be settled as and when they fall due. The group recorded a net loss before tax for the financial year ended 30 June 2021 of \$2,820,996 (2020: loss of 2,173,153), its current liabilities exceed its current assets by \$804,459, its total liabilities exceed its total assets by \$2,213,047 as at that date and the company recorded a negative cash flow from operations of \$1,511,528 for the financial year ended 30 June 2021.

In accordance with its plans, the Company will require additional external debt and equity funding to support the execution of its strategy and its operational expenditure until it reaches scale and is in a profitable position. Subsequent to year end, funding of \$19,067,000 was raised through the issuance of convertible notes (as detailed in Note 26) with a maturity date of 2 September 2024. The notes are convertible to equity upon a successful listing on the ASX.

Therefore, the continuing viability of the Company and its ability to continue as a going concern and meet its debts and commitments as they fall due are dependent upon:

- the Company obtaining continued equity funding, which includes pursuing a potential listing and initial public offering on the Australian Securities Exchange (ASX).
- the conversion of the convertible notes into shares upon listing on the ASX.
- the successful commercial development of the intangible assets of the company

The Company has previously demonstrated its ability to raise external debt and equity funding.

As a result of these matters, there is a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. However, the directors believe that the Company will be successful in the above matters and, accordingly, have prepared the financial report on a going concern basis.

(p) New Accounting Standards and Interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Company has decided not to early adopt these Standards.

These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3 Critical Accounting Estimates and Judgments

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

Notes to the Financial Statements

For the Year Ended 30 June 2021

3 Critical Accounting Estimates and Judgments (continued)

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

COVID-19

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. This 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.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Recovery of deferred tax assets

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

Income tax

The Company is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax, including the calculation of the R&D tax incentive for the period. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on the Company's current understanding of the tax law, and receivables for the expected R&D tax incentive receivable for the year. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

4 Revenue and Other Income

Revenue

	2021	2020
	\$	\$
- Export Marketing Development Grant	96,665	-
- Research and development tax incentives	654,000	610,762
Total Revenue	750,665	610,762

Notes to the Financial Statements

For the Year Ended 30 June 2021

4 Revenue and Other Income (continued)

Other Income

	2021	2020
	\$	\$
- COVID-19 incentives	42,998	62,500
- Interest income	475	11,220
- Realised gains/(losses)	470	-
- Unrealised gains/(losses)	51	-
Total Other Income	43,994	73,720

5 Finance Expenses

Finance expenses

	2021	2020
	\$	\$
Interest on convertible notes	95,611	186,510
Interest on related party borrowings	173,307	-
Interest on loan against R&D tax incentive	59,128	-
Interest on loan for insurance premium	20,352	-
Other interest expense	2,211	-
Total finance expenses	350,609	186,510

6 Result for the Year

(a) Consultant and Professional Expenses

	2021	2020
	\$	\$
Consulting and contracting	1,248,746	861,270
Professional fees	198,765	84,357
	1,447,511	945,627

(b) Human Resource Expenses

	2021	2020
	\$	\$
Human Resource Remuneration	1,126,315	975,170
Human Resource On-costs	126,668	105,366
Share-based payments	87,462	-
	1,340,445	1,080,536

Notes to the Financial Statements

For the Year Ended 30 June 2021

6 Result for the Year (continued)

(c) Administrative, Insurance and Information Technology Expenses

	2021	2020
	\$	\$
Administrative expenses	2,938	2,065
Information technologies and systems	159,137	87,829
Insurance expense	34,758	6,890
	196,833	96,784

7 Income Tax Expense

Numerical reconciliation of operating loss to prima facie income tax expense:

	2021	2020
	\$	\$
Operating loss before income tax	(2,820,996)	2,173,153
Tax benefit at the Australian tax rate of 26% (2020: 30%)	(733,459)	(651,946)
Tax effect of amounts that are not deductible / taxable in calculating taxable income:		
Entertainment expenses	86	-
Penalties and fines	88	24
Share-based payments	22,740	-
Research and development	219,477	236,799
ATO cash flow boost	(9,750)	(18,750)
Unrealised currency gains	(13)	-
Deferred income tax asset not brought to account	500,831	433,873
Income tax expense	-	-

Tax losses

Unused tax losses for which no deferred tax asset has been recognised	4,536,062	3,367,810
Potential tax benefit @ 26% (2020: 30%)	1,179,376	1,010,343

Unrecognised temporary differences

Temporary differences for which deferred tax assets have not been recognised:

- Provisions and accruals	913,783	380,376
- Capital raising costs	32,000	-
	945,783	380,376

Unrecognised deferred tax asset relating to the above temporary differences @ 26% (2020: 30%)

245,904	114,113
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Notes to the Financial Statements

For the Year Ended 30 June 2021

7 Income Tax Expense (continued)

Numerical reconciliation of operating loss to prima facie income tax expense: (continued)

The tax benefit of tax losses and other deductible temporary differences will only arise in the future where the Company derives sufficient net taxable income and is able to satisfy the carried forward tax loss recoupment rules. The Directors believe that the likelihood of the Company achieving sufficient taxable income in the future is currently not probable and the tax benefit of these tax losses and other temporary differences have not been recognised.

8 Cash and Cash Equivalents

	2021	2020
	\$	\$
Cash at bank	202,399	312,908
	<u>202,399</u>	<u>312,908</u>

9 Trade and Other Receivables

	2021	2020
	\$	\$
CURRENT		
Research and development tax incentive receivable	654,000	610,762
GST receivable	18,900	26,277
Cash flow boost receivable	-	12,500
	<u>672,900</u>	<u>649,539</u>

10 Other Assets

	2021	2020
	\$	\$
CURRENT		
Prepayments	36,538	30,615
	<u>36,538</u>	<u>30,615</u>
NON-CURRENT		
ANZ Bank Guarantee Office Bond	11,044	11,044
	<u>11,044</u>	<u>11,044</u>

Notes to the Financial Statements

For the Year Ended 30 June 2021

11 Property, plant and equipment

	2021	2020
	\$	\$
Furniture, fixtures and fittings		
At cost	30,265	30,265
Accumulated depreciation	(30,265)	(30,002)
Total furniture, fixtures and fittings	-	263
Computer software		
At cost	13,950	13,950
Accumulated depreciation	(8,603)	(5,813)
Total computer software	5,347	8,137
Total property, plant and equipment	5,347	8,400

Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Furniture, Fixtures and Fittings	Computer Software	Total
	\$	\$	\$
Year ended 30 June 2021			
Balance at the beginning of year	263	8,137	8,400
Depreciation expense	(263)	(2,790)	(3,053)
Balance at the end of the year	-	5,347	5,347

	Furniture, Fixtures and Fittings	Computer Software	Total
	\$	\$	\$
Year ended 30 June 2020			
Balance at the beginning of year	-	10,927	10,927
Additions	263	-	263
Depreciation expense	-	(2,790)	(2,790)
Balance at the end of the year	263	8,137	8,400

Notes to the Financial Statements

For the Year Ended 30 June 2021

12 Intangible Assets

	2021	2020
	\$	\$
Patents - Strax Fam's 1 to 5		
Cost	718,692	633,176
Accumulated amortisation and impairment	(554,792)	(468,543)
Net carrying value	163,900	164,633
Patents - Regulatory Approvals		
Cost	34,128	22,604
Accumulated amortisation and impairment	(23,180)	(22,604)
Net carrying value	10,948	-
Patents - AI		
Cost	352,720	154,479
Accumulated amortisation and impairment	-	-
Net carrying value	352,720	154,479
Total Intangible assets	527,568	319,112

Movements in carrying amounts of intangible assets

	Patents - Strax Fam's 1 to 5	Patents - Regulatory Approvals	Patents - AI	Total
	\$	\$	\$	\$
Year ended 30 June 2021				
Balance at the beginning of the year	164,633	-	154,479	319,112
Additions	85,516	11,524	198,241	295,281
Amortisation	(86,249)	(576)	-	(86,825)
Closing value at 30 June 2021	163,900	10,948	352,720	527,568

	Patents - Strax Fam's 1 to 5	Patents - Regulatory Approvals	Patents - AI	Total
	\$	\$	\$	\$
Year ended 30 June 2020				
Balance at the beginning of the year	299,812	-	-	299,812
Additions	21,693	22,604	154,479	198,776
Amortisation	(156,872)	(22,604)	-	(179,476)
Closing value at 30 June 2020	164,633	-	154,479	319,112

Notes to the Financial Statements

For the Year Ended 30 June 2021

13 Trade and Other Payables

	2021	2020
	\$	\$
CURRENT		
Trade payables	174,099	157,591
Accruals	927,715	238,260
Payroll liabilities	35,746	26,037
SRO Payroll Tax	17,240	-
Superannuation payable	12,252	10,306
Child Support Agency	-	407
	1,167,052	432,601

14 Borrowings

	2021	2020
	\$	\$
CURRENT		
Loan for insurance premium funding	28,501	22,331
Loan against R&D tax incentive (a)	320,656	280,000
	349,157	302,331

- a) A loan of \$320,656 (2020: \$280,000) was entered into during the year, secured against the R&D tax incentive receivable at year end. The interest rate on the loan was 15% per annum, and repayable upon receipt the FY21 R&D rebate or prepaid as required. The Company repaid this loan subsequent to year end.

	2021	2020
	\$	\$
NON-CURRENT		
Loans from directors (a)	1,940,562	-
	1,940,562	-

- a) For details of loans from directors, refer to Note 25(b).

15 Provisions

	2021	2020
	\$	\$
CURRENT		
Provision for annual leave	135,162	78,992
Provision for long service leave	64,925	36,656
	200,087	115,648

Notes to the Financial Statements

For the Year Ended 30 June 2021

15 Provisions (continued)

	2021	2020
	\$	\$
NON-CURRENT		
Provision for long service leave	11,985	16,163
	<u>11,985</u>	<u>16,163</u>

Amounts not expected to be settled within 12 months

The current provision for employee benefits includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision is presented as current, since the company does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the company does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not to be expected to be taken or paid within the next 12 months.

	2021	2020
	\$	\$
Leave obligations expected to be settled after 12 months	11,985	16,163

16 Other Financial Liabilities

	2021	2020
	\$	\$
NON-CURRENT		
Convertible Note - Series 1 - 2018	-	2,074,883
Convertible Note - Series 2 - 2019	-	2,097,250
Other financial liabilities	-	4,172,133

17 Issued Capital

	2021	2020
	\$	\$
347,133 (2020: 215,797) Ordinary shares	7,031,485	2,763,740
Capital raising costs	(40,000)	-
Total	<u>6,991,485</u>	<u>2,763,740</u>

Notes to the Financial Statements

For the Year Ended 30 June 2021

17 Issued Capital (continued)

(a) Ordinary shares

	2021 No.	2020 No.
At the beginning of the reporting period	215,797	215,797
Shares from conversion of convertible notes	131,336	-
At the end of the reporting period	<u>347,133</u>	<u>215,797</u>

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

The Company does not have authorised capital or par value in respect of its shares.

(b) Capital Management

The key objectives of the Company when managing capital is to safeguard its ability to continue as a going concern and maintain optimal benefits to stakeholders. The Company defines capital as its equity and net debt.

There has been no change to capital risk management policies during the year.

The Company manages its capital structure and makes funding decisions based on the prevailing economic environment and has a number of tools available to manage capital risk. These include maintaining a diversified debt portfolio, the ability to adjust the size and timing of dividends paid to shareholders and the issue of new shares.

The Board monitors a range of financial metrics including return on capital employed and gearing ratios. A key objective of the Company's capital risk management is to maintain compliance with the covenants attached to the Company's debts. Throughout the year, the Company has complied with these covenants.

18 Accumulated Losses

	2021 \$	2020 \$
Accumulated losses at the beginning of the financial year	(6,809,247)	(4,297,845)
Loss for the year	(2,820,996)	(2,173,153)
Recognition of prior years share-based payments	-	(338,249)
Retained earnings at end of the financial year	<u>(9,630,243)</u>	<u>(6,809,247)</u>

19 Share-based payment reserves

	2021 \$	2020 \$
Opening balance	338,249	338,249
Share-based payments during the year	87,462	-
	<u>425,711</u>	<u>338,249</u>

Notes to the Financial Statements

For the Year Ended 30 June 2021

19 Share-based payment reserves (continued)

This reserve records the cumulative value of employee service received for the issue of share options. When the option is exercised the amount in the share option reserve is transferred to share capital.

(a) Share based payment transactions during the period

During the 2021 financial year 25,090 (2020: Nil) options were issued to a key supplier, senior managers and employees of StraxCorp.

(b) Equity-settled transactions

The fair value of each option is estimated on the date of the grant using a Black-Scholes option formula. To take market conditions into consideration, the following assumptions were used in the calculation:

Share price on date of issue	\$32.50
Dividend yield on ordinary shares	0%
Exercise price	\$32.50
Risk free rate	1.9%
Volatility	75%
Probability of vesting	80% - 100%
Fair value of option issued	\$20.06 - \$23.81

Expected volatility is based on an ASX listed comparable benchmark for the company, for the most recent 12 months, and is designed to be indicative of future trends, which may also not necessarily be the actual outcome.

(c) Performance conditions

The options were granted in eight separate tranches during the 30 June 2021 and expire five years after the vesting date. The following performance conditions exist with respect to the options:

Grant date	Number of Options	Performance condition
26 April 2021	8,580	Vests over 1 year based on continuous employment.
26 April 2021	2,860	Vests over 2 year based on continuous employment.
26 April 2021	2,860	Vests over 3 year based on continuous employment.
31 December 2020	2,158	Vesting conditions over these milestones relate to the placement of devices and reaching certain gross profit measures
31 December 2020	2,158	
31 December 2020	2,158	
31 December 2020	2,158	
31 December 2020	2,158	

Notes to the Financial Statements

For the Year Ended 30 June 2021

19 Share-based payment reserves (continued)

(d) Movement during the year

The following table illustrates the movements in options, during the year ended 30 June 2021:

	2021 No.	2020 No.
Outstanding at the beginning of the year	12,998	13,203
Granted during the year	25,090	-
Forfeited during the year	(512)	(205)
Exercised during the year	-	-
Outstanding at the end of the year	37,576	12,998
Vested and exercisable	12,998	12,964

20 Contracted Commitments

The Company did not enter to any contractual commitments or agreement during the financial year (30 June 2020: None).

21 Financial Risk Management

The Company is exposed to a variety of financial risks through its use of financial instruments.

The Company's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets.

The most significant financial risks to which the Company is exposed to are described below:

Specific risks

- Liquidity risk
- Credit risk
- Market risk - currency risk, interest rate risk and price risk

Financial instruments used

The principal categories of financial instrument used by the Company are:

- Trade receivables
- Cash at bank
- Trade and other payables

Notes to the Financial Statements

For the Year Ended 30 June 2021

21 Financial Risk Management (continued)

Liquidity risk

Liquidity risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company manages its liquidity needs by carefully monitoring cash-outflows due in day-to-day business.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure to wholesale and retail customers, including outstanding receivables and committed transactions.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Trade receivables and contract assets

Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

(i) Foreign exchange risk

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

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting. The consolidated entity is most exposed to fluctuations in the AUD to USD and AUD to EUR foreign exchange rate.

Should this rate increase or decrease by 10% it would increase or decrease the loss after tax for the year by \$8,962.

Notes to the Financial Statements

For the Year Ended 30 June 2021

21 Financial Risk Management (continued)

(ii) Interest rate risk

The Company is exposed to interest rate risk as funds are borrowed at floating and fixed rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

(iii) Price risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices of securities held being available-for-sale or fair value through profit and loss.

Such risk is managed through diversification of investments across industries and geographic locations.

22 Key Management Personnel Remuneration

The totals of remuneration paid to the key management personnel of StraxCorp Pty Ltd during the year are as follows:

	2021	2020
	\$	\$
Short-term benefits	1,307,295	823,686
	<u>1,307,295</u>	<u>823,686</u>

23 Auditors' Remuneration

	2021	2020
	\$	\$
Remuneration of the auditor PricewaterhouseCoopers (2020: Morrows Audit Pty Ltd) for:		
- auditing or reviewing the financial statements	35,000	18,000
	<u>35,000</u>	<u>18,000</u>

24 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2021 (30 June 2020:None).

Notes to the Financial Statements

For the Year Ended 30 June 2021

25 Related Parties

(a) The Company's main related parties are as follows:

Key management personnel

The names of key management personnel are as follows:

Robert Lilley	Non-Executive Chair (a)	Appointed on 16 April 2021
Gregory Brown	Managing Director and CEO (b)	
David Seeman	Non-Executive Director	
Professor Ego Seeman	Non-Executive Director	Resigned on 17 March 2021
Aloys Mbala	Non-Executive Director	Resigned on 17 March 2021
Roger Zebaze	Non-Executive Director	Resigned on 7 September 2021
Hashan De Silva	Non-Executive Director	Appointed on 1 October 2021
Ura Auckland	CFO, COO and Company Secretary	
Yu Peng	CTO	
Belinda Robinson	Director of Sales and Marketing	

a) Robert Lilley was appointed as Non-Executive Director on 16 April 2021 and Chair on 26 April 2021

b) Gregory Brown resigned as Executive Chairman on 26 April 2021

For details of key management personnel remuneration, refer to Note 22.

Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel or their close family members.

(b) Loans to/from related parties

Loans are made from directors on an arm's length basis. Repayment terms are set for each loan, which range to five years and have no monthly principal repayments. Interest is capitalised to the loan at 22.5%. The loans are unsecured and repayable in cash or shares. They were converted into convertible notes as a part of the Pre-IPO capital raise completed subsequent to year end.

	2021	2020
	\$	\$
Loans from Directors	1,940,562	-
	<u>1,940,562</u>	<u>-</u>

Notes to the Financial Statements

For the Year Ended 30 June 2021

26 Cash Flow Information

(a) Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:

	2021	2020
	\$	\$
Loss for the year	(2,820,996)	(2,173,153)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- amortisation	86,825	179,476
- depreciation	3,053	2,790
- interest on convertible notes	346,700	184,741
- share options expensed	87,462	-
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	(23,361)	52,601
- (increase)/decrease in other assets	(5,923)	(30,615)
- increase/(decrease) in trade and other payables	705,965	696,843
- increase/(decrease) in provisions	80,261	39,090
- increase/(decrease) in employee benefits	28,486	(15,938)
Cashflows from operations	<u>(1,511,528)</u>	<u>(1,064,165)</u>

27 Events Occurring After the Reporting Date

On 2 September 2021 the Company completed the Pre-IPO Capital Raising by Convertible Notes, under a Convertible Note Deed signed on 25 August 2021 for a total raising of \$19,067,000 (before costs), including rolling over Director Loans of \$1,750,000 into the facility.

Following completion of the Pre-IPO Capital Raising, an opportunity for a potential M&A transaction has arisen, and on 17 September 2021 a non-binding Scrip for Scrip Heads of Agreement was signed between the Company and a US based business.

The Company has entered into engagement letters with accountants PricewaterhouseCoopers (or "PWC"), Australian lawyers Johnson Winter Slattery, and US lawyers Sheppard Mullin to support the exploration and, if appropriate, execution of the potential M&A transaction. Given the transaction is across international borders, costs may be significant to work through technical complexities, but cannot be accurately estimated at this early stage. The company will proceed only if due diligence clearly affirms the business case that presents at a strategic level.

On 20 October 2021 Morrows Audit resigned as auditors of the Company, as part of an orderly transition to PWC in support of the path to an anticipated listing on the Australian Securities Exchange.

On 4 December 2021 the Company entered into a Heads of Agreement Supplement to secure an exclusivity period with respect to the M&A transaction to 30 June 2022, agreeing cost sharing in the event that a transaction did not proceed, and agreeing full cost recovery in the event of a competing transaction, plus a break fee of USD 3,000,000 to StraxCorp recompensing time, costs and focus.

Aside from the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

StraxCorp Pty Ltd

ABN 32 140 706 618

Notes to the Financial Statements For the Year Ended 30 June 2021

28 Statutory Information

The registered office and principal place of business of the company is:


StraxCorp Pty Ltd
Suite 5 Level 10
470 Collins Street
Melbourne VIC 3000

Directors' Declaration

The directors of the Company declare that:

1. the financial statements and notes for the year ended 30 June 2021:
 - a. comply with Accounting Standards, which, as stated in basis of preparation Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position and performance of the Company;
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable with the continuing support of creditors.

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


Director:
Gregory Brown
Managing Director and CEO


Director:
Robert Lilley
Non-Executive Chair

Dated this 12th day of January 2022



Independent auditor's report

To the members of Straxcorp Pty Ltd

Our opinion

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

What we have audited

The financial report comprises:

- the statement of financial position as at 30 June 2021
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the statement of profit or loss and other comprehensive income for the year then ended
- the notes to the financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Company in accordance with the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 2(o) in the financial report, which indicates that the Company incurred a net loss of \$ 2,820,996 during the year ended 30 June 2021 and, as of that date, the Company's current liabilities exceeded its current assets by \$804,459, and its total liabilities exceed its total assets by \$2,213,047 and the company recorded a negative cash flow from operations of \$1,511,528 for the financial year ended 30 June 2021. To continue as a going concern, the Company requires continued equity funding, the conversion of its convertible notes into shares and the successful commercial development of the intangible assets of the company. These conditions, along with other matters set

forth in Note 2(o), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of matter - basis of accounting and restriction on use

We draw attention to Note 1 in the financial report, which describes the basis of accounting. The financial report has been prepared for internal purposes to assist Straxcorp Pty Ltd and its members. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for Straxcorp Pty Ltd and its members and should not be used by parties other than Straxcorp Pty Ltd and its members. Our opinion is not modified in respect of this matter.

Other information

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

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

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

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

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material



if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

A handwritten signature in cursive script, appearing to read 'PwC Securities Ltd'.

PwC Securities Ltd

A handwritten signature in cursive script, appearing to read 'Paul Lewis'.

Paul Lewis
Authorised Representative of PwC Securities Ltd

Melbourne
12 January 2022

CurveBeam AI Limited

(formerly StraxCorp Pty Ltd)

ABN 32 140 706 618

Annual Report

For the Year Ended 30 June 2022

CurveBeam AI Limited (formerly StraxCorp Pty Ltd)

ABN 32 140 706 618

Contents

For the Year Ended 30 June 2022

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Corporate Directory

30 June 2022

Directors

Robert Lilley	Non-Executive Chair
Gregory Brown	Managing Director and CEO
David Seeman	Non-Executive Director
Hashan De Silva	Non-Executive Director

CFO and Company Secretary

Ura Auckland

Registered office

Suite 5, Level 10, 470 Collins St., Melbourne VIC 3000

Auditor

PricewaterhouseCoopers
Level 19/2 Riverside Quay, Southbank VIC 3006

Solicitor (Australia)

Johnson Winter & Slattery
Level 29/111 Eagle St, Brisbane City QLD 4000

Legal Counsel (USA)

Sheppard Mullin
30 Rockefeller Plaza
New York, NY 10112-0015
Phone: +1 212-653-8700

CurveBeam AI Limited (formerly StraxCorp Pty Ltd)

ABN 32 140 706 618

Directors' Report

30 June 2022

The directors present their report on CurveBeam AI Limited (formerly StraxCorp Pty Ltd)* (or the "Company") for the financial year ended 30 June 2022.

Directors

The names of each person who has been a director during the year and to the date of this report are:

Names	Position	Appointed/Resigned
Robert Lilley	Non-Executive Chair	
Gregory Brown	Managing Director and CEO	
David Seeman	Non-Executive Director	
Roger Zebaze	Non-Executive Director	Resigned on 7 September 2021
Hashan De Silva	Non-Executive Director	Appointed on 1 October 2021

The Remuneration Committee is made up by Committee Chair David Seeman, and Hashan De Silva, who was appointed to the Remuneration Committee on 1 October 2021.

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

Principal activities

The principal activity of CurveBeam AI Limited (formerly StraxCorp Pty Ltd)* during the financial year was the development, validation and preparations for commercialisation of an HR-pQCT Medical Device and Software as a Service (SaaS) platform to support clinicians in their clinical diagnosis of bone fragility in patients.

No significant changes in the nature of the Company's activity occurred during the financial year.

Operating results and review of operations

The company made no sales during the financial year, and was impacted by first the Delta outbreak and then Omicron outbreaks of COVID-19. Key sites did not reopen as planned and development activities became the focus for finalising the clinical validation of its HRpQCT device, without access to US sites, preparing regulatory clearance files, and preparations for Beta Site evaluations. The company's activities were impacted by COVID19, which is also detailed in the Impact of COVID19 section below.

With the completion of a Pre-IPO Capital Raising on 2 September 2021, the company completed a raise of fresh capital of \$17,217,000 and rolled Director loans of \$1,850,000 into a total convertible note facility of \$19,067,000 (before costs).

Due to public markets coming under pressure, and COVID delays, a significant focus through the reporting period became the exploration of a merger, with CurveBeam, LLC (CurveBeam) of Hatfield PA in the United States, under a signed non-binding term sheet. CurveBeam researches, designs, and manufactures cone beam CT imaging systems for orthopaedic specialties, and has been in an especially important two-way collaboration with the Company since 2018 as our OEM CT manufacturer. Being a scrip for scrip cross border transaction, with a pass-through LLC in the US, there were considerable technical and legal challenges that needed to be worked through, and many roadblocks that have been overcome. The strategic value of the merged organisation was quite clear to the Directors and management, and has fuelled the commitment and focus to driving this transaction to what is now a signed up merger.

The merger is both a vertical and concentric merger and will expand our product and market access, global infrastructure, customer base, and installed global CT base for targeting expansion of our SaaS delivered AI solutions.

*StraxCorp Pty Ltd changed its name to CurveBeam AI Limited on 30 September 2022, when it converted to a public company, as part of the conditions precedent to the merger with CurveBeam LLC. This report relates to the financial performance and position for the year ended 30 June 2022 for the stand-alone Company formerly known as StraxCorp Pty Ltd.

CurveBeam AI Limited (formerly StraxCorp Pty Ltd)

ABN 32 140 706 618

Directors' Report

30 June 2022

Operating results and review of operations (continued)

It will also secure supply of our present CT platforms, while delivering a next generation platform for our AI solution. The merged group will have exciting growth potential underpinned by immediate revenues and several existing products in the market.

The loss of the Company after providing for income tax amounted to \$8,544,646 (2021: \$2,820,996).

Other income for the year increased from \$794,659 in the June 2021 financial year to \$1,672,388, primarily being a result of the increase in the R&D tax rebate for the corresponding year, which in turn was driven by an increase in additional R&D activities, primarily from additional employees.

Total expenses increased from \$3,615,655 to \$10,217,034 during the period from 2021 to 2022. A breakdown by function is as below, along with commentary over the movement in the period.

	2022	2021
	\$	\$
Corporate and finance expenditure ^(a)	7,598,933	1,967,752
Info tech expenditure	37,365	31,685
Sales and marketing expenditure	165,333	247,520
Quality and regulatory costs	291,300	207,733
Research and development costs ^(b)	2,124,103	1,160,965
Total expenses	10,217,034	3,615,655

a) Corporate expenditure increased during the period by \$5,631,181.

This is primarily driven by:

- \$2,220,870 of one-off merger related costs, primarily related to additional tax and legal advice required.
- \$2,166,327 of interest expense capitalised to the convertible note balance. This is the notional interest calculated under Australian Accounting Standards at 22.5%; the coupon interest capitalised to the convertible note under the agreement is at 5% and amounted to \$794,127 for FY22.
- \$392,042 of amortisation of costs related to the convertible note raising completed during the year.
- \$206,898 of non-cash share based payments expense.

b) R&D costs increased by \$963,138 over the period, driven by an increase in employee headcount, as the company continues to grow and develop R&D projects to more advanced positions.

Options

There were no new options issued during the financial year. A summary of options on hand as at year end has been disclosed in Note 19.

Significant changes in state of affairs

On 2 September 2021 the Company raised fresh capital of \$17,217,000 and rolled Director loans of \$1,850,000 into a convertible note facility of \$19,067,000 (before costs). Completion of the convertible note offer described above on 2 September 2021 was the most significant change in the state of affairs of the Company during the reporting period. The Convertible Notes can be redeemed for cash upon either a default event, or upon maturity, 36 months from completion.

CurveBeam AI Limited (formerly StraxCorp Pty Ltd)

ABN 32 140 706 618

Directors' Report

30 June 2022

Significant changes in state of affairs (continued)

Following completion of the capital raising the Company commenced initial preparations for its planned initial public offer (IPO) on the Australian Securities Exchange (ASX), including engaging accounting, tax and legal advisers who commenced work on a number of preliminary matters. As the markets shifted markedly in early 2022 the Company agreed with its bankers and advisers to defer the IPO until conditions better supported an IPO and market debut. The company is now targeting mid-2023.

On 20 October 2021 Morrows Audit resigned as auditors of the Company as part of an orderly transition of the audit function to PWC, which is intended to support the Company's targeted listing on the Australian Securities Exchange.

The merger with CurveBeam outlined above will significantly expand access to early sales, reduce the company platform risk, expand the scope of operations of the company, the product and service offerings, and gives the Company a US base of operations that would otherwise have required significant focus and investment to build.

There have been no other significant changes in the state of affairs of the Company during the year.

Events after the reporting date

On 15 August 2022, the Company held an Extraordinary General Meeting (EGM), whereby the shareholders of the Company resolved to approve the following:

- A new constitution appropriate for a public company and for the anticipated listing on ASX.
- The acquisition of CurveBeam LLC (the merger detailed above)
- Conversion to a public company
- Change of name from StraxCorp Pty Ltd to CurveBeam AI Limited (due to the merger) and effective on conversion to a public company.
- The setting of the cap for remuneration of non-executive directors as required for public companies; and
- Share split on a 1 for 100 basis effective on conversion to a public company.

On 16 August 2022 the Company signed a mandate letter with Bell Potter Securities Limited and Lodge Corporate Pty Ltd as Joint Lead Managers (JLMs) to undertake another Pre-IPO offer to raise A\$15m and accepting up to A\$10m in oversubscriptions, and to set out the pathway to a liquidity event, following completion of the merger.

On 2 September 2022 the Company signed a merger agreement with CurveBeam, LLC. The Merger is subject to meeting conditions precedent which include the following, among others:

- formal approval of the Merger by a requisite 70% CurveBeam shareholders by units held, which has been confirmed as probable through the receipt of support agreements to that effect prior to signing from a requisite majority; and
- the requisite 75% special majority of holders of Convertible Notes consenting to the amendment of the Convertible Note Deed The amendments to the Deed Poll for which consent will be sought include, among other things, permitting the Company to undertake the merger, amending the conversion mechanics to deal with the merger shares and value, and other related and consequential changes to the terms of issue of the Convertible Notes, which was achieved on 22nd September 2022.

CurveBeam AI Limited (formerly StraxCorp Pty Ltd)

ABN 32 140 706 618

Directors' Report

30 June 2022

Events after the reporting date (continued)

- the completion of the conversion of the Company to a public company following the EGM, which required an application to ASIC, and following their processing the publication in the Government Gazette and a mandatory one month exposure period.

On 22 September 2022, the Company executed the Amending Deed Poll with respect to the 2021 Pre-IPO Convertible Notes and the original deed poll dated 25 August 2021, following receipt of Noteholder Approval documents from the requisite 75% Special Majority. The Amending Deed Poll had the following key features:

- amendments relating to the new company constitution approved at the shareholder EGM on 15 August 2022.
- amending the base maturity date by 4 months
- expanding permitted uses of funds to include those related to the Merger.
- permitting the Company to provide funding to CurveBeam prior to completion on terms permitted by a board special majority.
- expanding permitted encumbrances to include those over CurveBeam's assets at the date of the merger agreement, and in the ordinary course of business up until closing to a maximum value of \$500,000.
- permitting director loans of up to \$2 million.
- Upon completion of the merger:
 - amending the definition of PMV (Pre-Money Value) to take account of the significant increase in the value of the merged group as a result of the Merger;
 - expanding the permitted uses of proceeds from the issuance of Convertible Notes to include specified CurveBeam expenses and liabilities;
 - permitting the Company to issue securities as contemplated by the Merger Agreement (i.e., the consideration payable to CurveBeam members).

On 27th September 2022 the company held an EGM whereby shareholders were asked to approve the following ordinary resolutions, all of which were passed unanimously, with no votes received from shareholders associated with Key Management Personnel or who were subject to voting exclusions or conflicts of interest :

- That for the purposes of sections 257B, 259B(2) and 260C(4) of the Corporations Act and for all other purposes, the Long Term Incentive Plan of the Company as described in the Explanatory Statement be approved.
- That for the purposes of sections 200B and 200E of the Corporations Act and for all other purposes, the giving of benefits under the Long Term Incentive Plan to a person by the Company in connection with that person ceasing to hold a managerial or executive office in the Company or a related body corporate on the terms set out in the Explanatory Statement be approved.
- That for the purposes of section 200B and 200E of the Corporations Act, the Company is authorised to give to Mr. Greg Brown, Chief Executive Officer of the Company, the benefits which may be given in connection with his retirement from office in the Company, further details of which are set out in the Explanatory Statement.

CurveBeam AI Limited (formerly StraxCorp Pty Ltd)

ABN 32 140 706 618

Directors' Report

30 June 2022

Events after the reporting date (continued)

- That for the purposes of section 200B and 200E of the Corporations Act, the Company is authorised to give to Mr. Ura Auckland, Chief Financial Officer and Company Secretary of the Company, the benefits which may be given in connection with his retirement from office in the Company, further details of which are set out in the Explanatory Statement.
- That for the purposes of section 200B and 200E of the Corporations Act, the Company is authorised to give to Dr. Yu Peng, Chief Technical Officer of the Company, the benefits which may be given in connection with his retirement from office in the Company, further details of which are set out in the Explanatory Statement.

On 30 September 2022 the Company finalised its name change and conversion to a public company; the new name of the Company is CurveBeam AI Limited.

Other than as described in this section and under the heading "Significant changes in state of affairs" no other matters or circumstances have arisen since the end of the year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

Future developments and results

Refer to the principal activities and review of operations sections above for additional information on the likely developments and expected results of operations.

Further information have not been included in this report because the directors believe it would like likely to result in unreasonable prejudice to the entity.

Impact of COVID-19

The outbreak of the Delta and Omicron variants of COVID19 and the subsequent quarantine measures imposed by the Australian, US and other governments, as well as the travel and trade restrictions imposed by Australia, US and other countries through financial periods ended June 2021 and June 2022, have caused disruption to businesses and economic activity. For the Company this has particularly impacted its US based clinical validation trial for its HRpQCT and its capital raising processes necessary for scale up and commercial launch. Delays in the planned reopening of US clinical sites after the first wave of the pandemic, since March of 2020, have cumulatively impacted launch timing by around 24 months. Additionally, the Company has been indirectly impacted by the chip shortage resulting from COVID19 related supply chain issues. We are working with our commercial partners to ensure a resolution to these supply chain issues.

In response to COVID19, the Australian and US Governments' implemented policies and measures through calendar years 2021 and 2022 with the aim of containing the virus, with most jurisdictions requiring extended social and workplace restrictions. Other than as outlined above, these measures have not had any material impact on the business.

The Company's business operations currently remain resilient in the face of the challenges presented by these continuing social and workplace restrictions. The company moved to other strategies to protect the value of the company due to these delays. The concentric and vertical merger was born out of this challenge caused by the Delta, and then Omicron outbreaks.

Environmental regulation

The Company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

CurveBeam AI Limited (formerly StraxCorp Pty Ltd)

ABN 32 140 706 618

Directors' Report

30 June 2022

Indemnification and insurance of officers and auditors


The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith. During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

Proceedings on behalf of company

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

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

Director: 
.....
Gregory Brown
Managing Director and CEO

Director: 
.....
Robert Lilley
Non-Executive Chair

Dated this 7th day of October 2022

CurveBeam AI Limited (formerly StraxCorp Pty Ltd)

ABN 32 140 706 618

Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2022

		2022	2021
	Note	\$	\$
Other income	4	1,672,388	794,659
Consulting and professional fees	6(a)	(3,791,303)	(1,447,511)
Human resource expenses	6(b)	(2,957,004)	(1,340,445)
Administrative, insurance and information technology expenses	6(c)	(350,610)	(196,833)
Occupancy costs		(70,248)	(70,500)
Travel and entertainment expenses		(131,941)	(64,839)
Research and development external expenditure	6(d)	(300)	(28,546)
Marketing expenses		(22,563)	(1,476)
Product and market registration expenses		(12,894)	(12,865)
Depreciation and amortisation expense		(203,185)	(89,878)
Finance expenses	5	(2,660,064)	(350,609)
Other expenses		(16,922)	(12,153)
Loss before income tax		(8,544,646)	(2,820,996)
Income tax expense	7	-	-
Loss for the year		(8,544,646)	(2,820,996)
Other comprehensive income/(loss) for the year, net of tax		-	-
Total comprehensive loss for the year		(8,544,646)	(2,820,996)

The accompanying notes form part of these financial statements.

CurveBeam AI Limited (formerly StraxCorp Pty Ltd)

ABN 32 140 706 618

Statement of Financial Position
As At 30 June 2022

	Note	2022 \$	2021 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	8,698,649	202,399
Trade and other receivables	9	1,548,003	672,900
Other assets	10	947,973	36,538
TOTAL CURRENT ASSETS		11,194,625	911,837
NON-CURRENT ASSETS			
Property, plant and equipment	11	26,763	5,347
Intangible assets	12	559,905	527,568
Other assets	10	11,044	11,044
TOTAL NON-CURRENT ASSETS		597,712	543,959
TOTAL ASSETS		11,792,337	1,455,796
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	831,325	1,167,052
Borrowings	14	856,655	349,157
Provisions	15	311,561	200,087
TOTAL CURRENT LIABILITIES		1,999,541	1,716,296
NON-CURRENT LIABILITIES			
Borrowings	14	-	1,940,562
Provisions	15	21,372	11,985
Other financial liabilities	16	20,197,867	-
TOTAL NON-CURRENT LIABILITIES		20,219,239	1,952,547
TOTAL LIABILITIES		22,218,780	3,668,843
NET LIABILITIES		(10,426,443)	(2,213,047)
EQUITY			
Issued capital	17	7,313,539	6,991,485
Share-based payment reserves	19	355,582	425,711
Accumulated losses	18	(18,095,564)	(9,630,243)
TOTAL EQUITY		(10,426,443)	(2,213,047)

The accompanying notes form part of these financial statements.

CurveBeam AI Limited (formerly StraxCorp Pty Ltd)

ABN 32 140 706 618

Statement of Changes in Equity

For the Year Ended 30 June 2022

2022

		Issued Capital	Accumulated losses	Share-based payment reserves	Total
	Note	\$	\$	\$	\$
Balance at 1 July 2021		6,991,485	(9,630,243)	425,711	(2,213,047)
Transfer of convertible note raising costs to balance sheet		40,000	-	-	40,000
Loss for the year		-	(8,544,646)	-	(8,544,646)
Share based payment transactions	19	-	-	206,898	206,898
Shares issued from options exercised	17	84,352	-	-	84,352
Transfer of options exercised to issued capital	19	197,702	-	(197,702)	-
Transfer of expired options to accumulated losses	19	-	79,325	(79,325)	-
Balance at 30 June 2022		7,313,539	(18,095,564)	355,582	(10,426,443)

2021

		Issued Capital	Accumulated losses	Share-based payment reserves	Total
	Note	\$	\$	\$	\$
Balance at 1 July 2020		2,763,740	(6,809,247)	338,249	(3,707,258)
Loss for the year		-	(2,820,996)	-	(2,820,996)
Shares from conversion of convertible notes	17	4,267,745	-	-	4,267,745
Capital raising costs	17	(40,000)	-	-	(40,000)
Share based payment transactions	19	-	-	87,462	87,462
Balance at 30 June 2021		6,991,485	(9,630,243)	425,711	(2,213,047)

The accompanying notes form part of these financial statements.

CurveBeam AI Limited (formerly StraxCorp Pty Ltd)

ABN 32 140 706 618

Statement of Cash Flows

For the Year Ended 30 June 2022

		2022	2021
	Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts for R&D tax offset		651,684	610,762
Receipts from other grants		-	117,063
Receipts for COVID-19 stimulus		-	42,998
Interest received		11,491	475
Interest paid		(288,419)	(3,909)
Payments to suppliers and employees		(8,365,568)	(2,278,917)
Net cash provided by/(used in) operating activities	26	(7,990,812)	(1,511,528)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payment for intangible asset		(204,135)	(295,281)
Purchase of property, plant and equipment		(52,803)	-
Net cash provided by/(used in) investing activities		(256,938)	(295,281)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from related party loans		100,000	2,296,110
Proceeds from issue of convertible notes (net of transaction costs)		15,829,497	(40,000)
Proceeds from R&D and insurance premium funding loans		952,520	-
Proceeds from exercise of option		84,351	-
Repayments of R&D and insurance premium funding loans		(447,324)	-
Repayment of related party loans		-	(559,810)
Net cash provided by/(used in) financing activities		16,519,044	1,696,300
Net increase/(decrease) in cash and cash equivalents held		8,271,294	(110,509)
Cash and cash equivalents at beginning of year		202,399	312,908
Effect of exchange rates on cash holdings in foreign currencies		224,956	-
Cash and cash equivalents at end of financial year	8	8,698,649	202,399

The accompanying notes form part of these financial statements.

CurveBeam AI Limited (formerly StraxCorp Pty Ltd)

ABN 32 140 706 618

Notes to the Financial Statements For the Year Ended 30 June 2022

The financial report covers CurveBeam AI Limited (formerly StraxCorp Pty Ltd) as an individual entity. CurveBeam AI Limited is a for-profit public Company limited by shares, incorporated and domiciled in Australia. StraxCorp Pty Ltd changed its name to CurveBeam AI Limited on 30 September 2022, when it converted to a public company, as part of the conditions precedent to the merger with CurveBeam LLC. This report relates to the financial performance and position for the year ended 30 June 2022 for the stand-alone Company formerly known as StraxCorp Pty Ltd.

The functional and presentation currency of CurveBeam AI Limited is Australian dollars.

The financial report was authorised for issue by the Directors on 7 October 2022.

1 Basis of Preparation

These general purpose financial statements have been prepared in accordance with the Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Changes to presentation

Comparative information is reclassified where appropriate to enhance comparability and provide more appropriate information to users.

Historical cost convention

These financial statements have been prepared under the historical cost basis, except for certain available-for-sale financial assets, measured at fair value.

2 Summary of Significant Accounting Policies

(a) Revenue and other income

Grant revenue

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

Other income

Other income is recognised on an accruals basis when the Company is entitled to it.

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

(b) Income Tax

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Notes to the Financial Statements

For the Year Ended 30 June 2022

2 Summary of Significant Accounting Policies (continued)

(c) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

(d) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(e) Financial instruments

Financial instruments are recognised initially on the date that the Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, the Company classifies its financial assets into the following categories, those measured at:

- amortised cost

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

Notes to the Financial Statements

For the Year Ended 30 June 2022

2 Summary of Significant Accounting Policies (continued)

(e) Financial instruments (continued)

Financial assets (continued)

The Company's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for the following assets:

- financial assets measured at amortised cost

When determining whether the credit risk of a financial assets has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment and including forward looking information.

The Company uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Company uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Company in full, without recourse to the Company to actions such as realising security (if any is held); or
- the financial assets are more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the Company in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

Trade receivables

Impairment of trade receivables have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Company has determined the probability of non-payment of the receivable and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Notes to the Financial Statements

For the Year Ended 30 June 2022

2 Summary of Significant Accounting Policies (continued)

(e) Financial instruments (continued)

Financial assets (continued)

Where the Company renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Other financial assets measured at amortised cost

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

Financial liabilities

The Company measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Company comprise trade payables and convertible notes. Refer to note 16 for further details on accounting policies of convertible notes held at year end.

(f) Impairment of non-financial assets

At the end of each reporting period the Company determines whether there is an evidence of an impairment indicator for non-financial assets.

Where an indicator exists and regardless for indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss.

(g) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Notes to the Financial Statements

For the Year Ended 30 June 2022

2 Summary of Significant Accounting Policies (continued)

(h) Property, plant and equipment

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

Fixed asset additions under \$6,000 are written off. All assets over \$6,000 are depreciated over their useful lives to the company. Each year, the difference between depreciation based on the revalued carrying amounts of the assets charged to the income statement. Depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Depreciation

Property, plant and equipment is depreciated on a straight-line basis over the assets useful life to the Company, commencing when the asset is ready for use as follows:

Fixed Assets Class	Useful life
Computer equipment	between 1 and 3 years
Office furniture	between 1 and 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

(i) Intangible assets

Patents and trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life of 5 years.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use.

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

(j) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the company during the reporting period, which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

Notes to the Financial Statements

For the Year Ended 30 June 2022

2 Summary of Significant Accounting Policies (continued)

(k) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

(l) Provisions

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

(m) Equity-settled compensation

The Company operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using either the Binomial or Black-Scholes pricing model which incorporates all market vesting conditions. The amount to be expensed is determined by reference to the fair value of the options or shares granted, this expense takes in account any market performance conditions and the impact of any non-vesting conditions but ignores the effect of any service and non-market performance vesting conditions.

Non-market vesting conditions are taken into account when considering the number of options expected to vest. At the end of each reporting period, the Company revises its estimate of the number of options which are expected to vest based on the non-market vesting conditions. Revisions to the prior period estimate are recognised in profit or loss and equity.

(n) Contingent liability

The research and development grants received by the Company may be subject to review by AusIndustry and subsequent claw back of funds should there be a determination of non-conforming claims.

(o) Going concern

The Directors of the Company have prepared this financial report on the basis that the group will continue to operate as a going concern and that the debts of the business will continue to be settled as and when they fall due. The group recorded a net loss before tax for the financial year ended 30 June 2022 of \$8,544,646 (2021: loss of \$2,820,996), its current assets exceed its current liabilities by \$9,195,084 (2021: current asset deficiency of \$804,459) its total liabilities exceed its total assets by \$10,426,443 (2021: net liabilities of \$2,213,047) as at that date and the company recorded a negative cash flow from operations of \$7,990,812 for the financial year ended 30 June 2022 (2021: \$1,511,528).

In accordance with its plans, during the year the Company began the acquisition of CurveBeam LLC, a market-ready revenue generating business which was formalised by the execution of a merger agreement subsequent to year end as detailed in Note 27. The Company will continue to require additional external debt and equity funding to support the execution of its strategy and its operational expenditure until the merged group reaches scale and is in a profitable position.

Notes to the Financial Statements

For the Year Ended 30 June 2022

2 Summary of Significant Accounting Policies (continued)

(o) Going concern (continued)

Therefore, the continuing viability of the Company and its ability to continue as a going concern and meet its debts and commitments as they fall due are dependent upon:

- the Company obtaining continued equity funding, as detailed in Note 27, as well as pursuing a potential listing and initial public offering on the Australian Securities Exchange (ASX).
- the conversion of the convertible notes into shares upon listing on the ASX.
- the successful commercial development of the intangible assets of the company

The Company has previously demonstrated its ability to raise external debt and equity funding.

As a result of these matters, there is a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. However, the directors believe that the Company will be successful in the above matters and, accordingly, have prepared the financial report on a going concern basis.

(p) New Accounting Standards and Interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Company has decided not to early adopt these Standards.

These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3 Critical Accounting Estimates and Judgments

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

COVID-19

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

Notes to the Financial Statements

For the Year Ended 30 June 2022

3 Critical Accounting Estimates and Judgments (continued)

Share-based payment transactions

The entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Recovery of deferred tax assets

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

Income tax

The Company is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax, including the calculation of the R&D tax incentive for the period. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognises receivables for the expected R&D tax incentive receivable for the year. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

4 Other Income

	2022	2021
	\$	\$
- Export Marketing Development Grant	-	96,665
- Research and development tax incentives	1,435,941	654,000
- COVID-19 incentives	-	42,998
- Interest income	11,482	475
- Realised foreign currency gains/(losses)	17,391	470
- Unrealised foreign currency gains/(losses)	207,574	51
Total Other Income	1,672,388	794,659

Notes to the Financial Statements

For the Year Ended 30 June 2022

5 Finance Expenses

	2022	2021
	\$	\$
Interest on convertible notes ^(a)	2,166,327	95,611
Convertible note capital raising cost amortisation	392,043	-
Interest on related party borrowings	89,604	173,307
Interest on loan against R&D tax incentive	4,371	59,128
Interest on loan for insurance premium	4,023	20,352
Other finance charges	3,696	2,211
Total finance expenses	2,660,064	350,609

a) This is the notional interest calculated under Australian Accounting Standards at 22.5%; the coupon interest capitalised to the convertible note under the agreement is at 5% and amounted to \$794,127 for FY22.

6 Expenses

(a) Consultant and Professional Expenses

	2022	2021
	\$	\$
Consulting and contracting	1,324,904	1,248,746
Professional fees ^(a)	2,466,399	198,765
	3,791,303	1,447,511

a) Professional fees above include one-off merger costs amounting to \$2,220,870.

(b) Human Resource Expenses

	2022	2021
	\$	\$
Human Resource Remuneration	2,386,894	1,126,315
Human Resource On-costs	363,212	126,668
Share-based payments	206,898	87,462
	2,957,004	1,340,445

(c) Administrative, Insurance and Information Technology Expenses

	2022	2021
	\$	\$
Administrative expenses	1,106	2,938
Information technologies and systems	242,962	159,137
Insurance expense	106,542	34,758
	350,610	196,833

Notes to the Financial Statements

For the Year Ended 30 June 2022

6 Expenses (continued)

(d) Research and development external expenditure

The majority of the company's research and development expenses are in the form of human resource remuneration, and are included in note 6(b) above. Total research and development expenses by function amounted to \$2,124,103 for the year ending 30 June 2022 (June 2021: \$1,160,965).

7 Income Tax Expense

Numerical reconciliation of operating loss to prima facie income tax expense:

	2022	2021
	\$	\$
Operating loss before income tax	(8,544,646)	(2,820,996)
Tax benefit at the Australian tax rate of 30% (2021: 26%)	(2,563,394)	(733,459)
Tax effect of amounts that are not deductible / taxable in calculating taxable income:		
Entertainment expenses	99	86
Penalties and fines	25	88
Share-based payments	62,069	22,740
Research and development	485,749	219,477
ATO cash flow boost	-	(9,750)
Unrealised currency gains	(62,272)	(13)
Deferred income tax asset not brought to account	2,077,724	500,831
Income tax expense	-	-
Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	11,884,547	4,536,062
Potential tax benefit @ 30% (2021: 26%)	3,565,364	1,179,376
Unrecognised temporary differences		
Temporary differences for which deferred tax assets have not been recognised:		
- Provisions and accruals	113,343	913,783
- Capital raising costs	24,000	32,000
	137,343	945,783
Unrecognised deferred tax asset relating to the above temporary differences @ 30% (2021: 26%)	41,203	245,904

The tax benefit of tax losses and other deductible temporary differences will only arise in the future where the Company derives sufficient net taxable income and is able to satisfy the carried forward tax loss recoupment rules. The Directors believe that the likelihood of the Company achieving sufficient taxable income in the future is currently not sufficiently probable to recognise the tax benefit of these tax losses and other temporary differences, which therefore have not been recognised.

CurveBeam AI Limited (formerly StraxCorp Pty Ltd)

ABN 32 140 706 618

Notes to the Financial Statements For the Year Ended 30 June 2022

8 Cash and Cash Equivalents

	2022	2021
	\$	\$
Cash at bank	8,698,649	202,399
	<u>8,698,649</u>	<u>202,399</u>

9 Trade and Other Receivables

	2022	2021
	\$	\$
CURRENT		
Research and development tax incentive receivable	1,487,106	654,000
GST receivable	60,897	18,900
	<u>1,548,003</u>	<u>672,900</u>

10 Other Assets

	2022	2021
	\$	\$
CURRENT		
Prepayments	221,188	36,538
CurveBeam Devices Deposit	726,785	-
	<u>947,973</u>	<u>36,538</u>

	2022	2021
	\$	\$
NON-CURRENT		
ANZ Bank Guarantee Office Bond	11,044	11,044
	<u>11,044</u>	<u>11,044</u>

Notes to the Financial Statements

For the Year Ended 30 June 2022

11 Property, plant and equipment

	2022	2021
	\$	\$
Furniture, fixtures and fittings		
At cost	30,265	30,265
Accumulated depreciation	(30,265)	(30,265)
Total furniture, fixtures and fittings	-	-
Computer equipment		
At cost	52,803	-
Accumulated depreciation	(26,040)	-
Total computer equipment	26,763	-
Computer software		
At cost	13,950	13,950
Accumulated depreciation	(13,950)	(8,603)
Total computer software	-	5,347
Total property, plant and equipment	26,763	5,347

Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Furniture, Fixtures and Fittings	Computer Equipment	Computer Software	Total
	\$	\$	\$	\$
Year ended 30 June 2022				
Balance at the beginning of year	-	-	5,347	5,347
Additions	-	52,803	-	52,803
Depreciation expense	-	(26,040)	(5,347)	(31,387)
Balance at the end of the year	-	26,763	-	26,763
	Furniture, Fixtures and Fittings	Computer Equipment	Computer Software	Total
	\$	\$	\$	\$
Year ended 30 June 2021				
Balance at the beginning of year	263	-	8,137	8,400
Depreciation expense	(263)	-	(2,790)	(3,053)
Balance at the end of the year	-	-	5,347	5,347

CurveBeam AI Limited (formerly StraxCorp Pty Ltd)

ABN 32 140 706 618

Notes to the Financial Statements For the Year Ended 30 June 2022

12 Intangible Assets

	2022	2021
	\$	\$
Patents - Strax Fam's 1 to 5		
Cost	780,069	718,692
Accumulated amortisation and impairment	(630,153)	(554,792)
Net carrying value	149,916	163,900
Patents - Regulatory Approvals		
Cost	34,128	34,128
Accumulated amortisation and impairment	(34,128)	(23,180)
Net carrying value	-	10,948
Patents - AI		
Cost	495,478	352,720
Accumulated amortisation and impairment	(85,489)	-
Net carrying value	409,989	352,720
Total Intangible assets	559,905	527,568

Movements in carrying amounts of intangible assets

	Patents - Strax Fam's 1 to 5	Patents - Regulatory Approvals	Patents - AI	Total
	\$	\$	\$	\$
Year ended 30 June 2022				
Balance at the beginning of the year	163,900	10,948	352,720	527,568
Additions	61,377	-	142,758	204,135
Amortisation	(75,361)	(10,948)	(85,489)	(171,798)
Closing value at 30 June 2022	149,916	-	409,989	559,905

	Patents - Strax Fam's 1 to 5	Patents - Regulatory Approvals	Patents - AI	Total
	\$	\$	\$	\$
Year ended 30 June 2021				
Balance at the beginning of the year	164,633	-	154,479	319,112
Additions	85,516	11,524	198,241	295,281
Amortisation	(86,249)	(576)	-	(86,825)
Closing value at 30 June 2021	163,900	10,948	352,720	527,568

CurveBeam AI Limited (formerly StraxCorp Pty Ltd)

ABN 32 140 706 618

Notes to the Financial Statements For the Year Ended 30 June 2022

13 Trade and Other Payables

	2022	2021
	\$	\$
CURRENT		
Trade payables	92,353	174,099
Accruals	651,740	927,715
Payroll liabilities	60,247	35,746
Payroll Tax	1,819	17,240
Superannuation payable	25,166	12,252
	<u>831,325</u>	<u>1,167,052</u>

14 Borrowings

	2022	2021
	\$	\$
CURRENT		
Loan for insurance premium funding	102,033	28,501
Loan against R&D tax incentive ^(a)	754,622	320,656
	<u>856,655</u>	<u>349,157</u>

- a) A loan of \$748,509 (2021: \$320,656) was entered into during the year, secured against the R&D tax incentive receivable at year end and at balance date the balance including interest was \$754,622. The interest rate on the loan was 14% per annum, and repayable upon receipt of the FY22 R&D rebate or prepaid as required.

	2022	2021
	\$	\$
NON-CURRENT		
Loans from directors ^(a)	-	1,940,562
	<u>-</u>	<u>1,940,562</u>

- a) For details of loans from directors, refer to Note 25(b).

15 Provisions

	2022	2021
	\$	\$
CURRENT		
Provision for annual leave	213,604	135,162
Provision for long service leave	97,957	64,925
	<u>311,561</u>	<u>200,087</u>

Notes to the Financial Statements

For the Year Ended 30 June 2022

15 Provisions (continued)

	2022	2021
	\$	\$
NON-CURRENT		
Provision for long service leave	21,372	11,985
	21,372	11,985

Amounts not expected to be settled within 12 months

The current provision for employee benefits includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision is presented as current, since the company does not have an unconditional right to defer settlement for any of these obligations.

16 Other Financial Liabilities

	2022	2021
	\$	\$
NON-CURRENT		
Convertible Note - Pre-IPO - 2021	19,067,000	-
Convertible Note - Capital Raising Cost	(1,035,460)	-
Interest on convertible notes	2,166,327	-
Total	20,197,867	-

On 2 September 2021 the Company completed the Pre-IPO Capital Raising by Convertible Notes, under a Convertible Note Deed signed on 25 August 2021 for a total raising of \$19,067,000 (before costs), including rolling over Director Loans of \$1,850,000 into the facility.

The Convertible Notes convert into fully paid ordinary shares in the capital of the Company upon either the occurrence of a trade sale or IPO, neither of which are expected to occur within 12 months of year end.

In either scenario, the Convertible Notes will be automatically converted into ordinary shares at set rates. For the 18 months following completion, the convertible notes convert at the lower of either:

- the Relevant Percentage of 70% of the IPO or trade sale price (being a discount of 30%), or
- pre-IPO fully diluted pre money valuation of \$27.7m divided by the fully diluted pre money number of shares outstanding on date of issue.

For the periods from 18 to 24 months following completion, and greater than 24 months following completion, the Relevant Percentage of the IPO or trade price is reduced to 65% and 60%, respectively, and the fully diluted pre money valuation is decreased to \$22.2 million and \$16.6 million, respectively.

The Convertible Notes can be redeemed for cash upon either a default event, or upon maturity, 36 months from completion.

Notes to the Financial Statements

For the Year Ended 30 June 2022

16 Other Financial Liabilities (continued)

Given the structure of the Convertible Notes, it was determined that in line with Australian Accounting Standards Board guidelines (AASB 9 and AASB 132), the Convertible Notes are to be treated as liabilities with an embedded derivative component, which is also classified as a liability. As a part of this process, it was determined that the effective interest rate applicable to the convertible notes on a standalone basis would be 22.5%. The fair value of this embedded derivative was calculated to be \$6,909,933, and on initial recognition, the fair value of the financial liability of the convertible note amounted to \$12,157,067. The notional interest unwound from this value amounted to \$2,166,327 at 22.5% for the FY22 period.

Under the convertible note agreement, interest accrues on the convertible notes at 5% per annum compounded on a six-monthly basis and is capitalised to the loan value. The coupon interest capitalised to the convertible note for the year ended 30 June 2022 amounted to \$794,127.

17 Issued Capital

	2022	2021
	\$	\$
354,609 (2021: 347,133) Ordinary shares	7,313,539	7,031,485
Capital raising costs	-	(40,000)
Total	7,313,539	6,991,485

(a) Ordinary shares

	2022	2022	2021	2021
	No.	\$	No.	\$
At the beginning of the reporting period	347,133	7,031,485	215,797	2,763,740
Shares from conversion of convertible note	-	-	131,336	4,267,745
Shares from options exercised	7,476	282,054	-	-
At the end of the reporting period	354,609	7,313,539	347,133	7,031,485

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

The Company does not have authorised capital or par value in respect of its shares.

(b) Capital Management

The key objectives of the Company when managing capital is to safeguard its ability to continue as a going concern and maintain optimal benefits to stakeholders. The Company defines capital as its equity and net debt.

There has been no change to capital risk management policies during the year.

The Company manages its capital structure and makes funding decisions based on the prevailing economic environment and has a number of tools available to manage capital risk. These include maintaining a diversified debt portfolio, the ability to adjust the size and timing of dividends paid to shareholders and the issue of new shares.

Notes to the Financial Statements

For the Year Ended 30 June 2022

17 Issued Capital (continued)

(b) Capital Management (continued)

The Board monitors a range of financial metrics including return on capital employed and gearing ratios. A key objective of the Company's capital risk management is to maintain compliance with the covenants attached to the Company's debts. Throughout the year, the Company has complied with these covenants.

18 Accumulated Losses

	2022	2021
	\$	\$
Accumulated losses at the beginning of the financial year	(9,630,243)	(6,809,247)
Loss for the year	(8,544,646)	(2,820,996)
Transfer of expired options from reserves to accumulated losses	79,325	-
Retained earnings at end of the financial year	(18,095,564)	(9,630,243)

19 Share-based payment reserves

	2022	2021
	\$	\$
Opening balance	425,711	338,249
Share-based payments during the year	206,898	87,462
Transfer of options exercised from reserves to issued capital	(197,702)	-
Transfer of expired options from reserves to accumulated losses	(79,325)	-
	355,582	425,711

This reserve records the cumulative value of employee service received for the issue of share options. When the option is exercised the amount in the share option reserve is transferred to share capital.

(a) Share based payment transactions during the period

There were no new options issued to any suppliers, senior managers or employees of the Company during the June 2022 financial year (30 June 2021: 25,090). The value of options issued in prior periods resulted in the recognition of \$206,898 of share based payments expense in the statement of profit and loss.

(b) Movement during the year

The following table illustrates the movements in options, during the year ended 30 June 2022:

	2022	2021
	No.	No.
Outstanding at the beginning of the year	37,576	12,998
Granted during the year	-	25,090
Exercised during the year	(7,476)	(512)
Forfeited during the year	(613)	-
Outstanding at the end of the year	29,487	37,576
Vested and exercisable	22,611	12,998

Notes to the Financial Statements

For the Year Ended 30 June 2022

19 Share-based payment reserves (continued)

(c) Share options outstanding as at year end

Grant Date	First Exercise Date	Expiry Date	Fair value of options	Exercise price \$	Share options No. 2022	Share options No. 2021
15 April 2016	15 April 2016	15 April 2022	26.28	10.83	-	3,614
15 April 2016	15 April 2017	15 April 2022	26.97	10.83	-	2,247
15 April 2016	15 April 2018	15 April 2023	26.18	16.00	66	66
15 April 2016	15 April 2019	15 April 2024	26.88	16.00	34	34
15 June 2016	15 June 2016	15 June 2022	26.28	10.83	-	512
15 June 2016	15 June 2017	15 June 2022	26.97	10.83	-	1,079
15 June 2016	15 June 2018	15 June 2023	26.18	16.00	567	567
15 June 2016	15 June 2019	15 June 2024	26.88	16.00	568	568
21 June 2016	21 June 2016	21 June 2022	26.28	10.83	-	52
21 June 2016	01 August 2017	01 August 2022	26.28	10.83	-	51
21 June 2016	01 August 2018	01 August 2023	27.65	10.83	51	51
21 June 2016	21 June 2017	21 June 2022	25.37	16.00	-	534
21 June 2016	21 June 2018	21 June 2023	26.18	16.00	358	358
21 June 2016	21 June 2019	21 June 2024	26.88	16.00	358	358
26 April 2017	07 June 2018	07 June 2023	21.75	32.00	1,836	-
26 April 2017	26 April 2017	26 April 2022	20.41	32.00	-	2,295
26 April 2017	31 October 2019	31 October 2024	23.39	32.00	459	-
02 July 2018	02 July 2018	02 July 2023	20.16	32.00	33	33
02 July 2018	02 July 2019	02 July 2024	21.60	32.00	33	33
02 July 2018	02 July 2020	02 July 2025	22.82	32.00	34	34
26 April 2021 *	26 April 2022	26 April 2027	21.51	32.50	8,580	8,580
26 April 2021 *	26 April 2023	25 April 2028	22.75	32.50	2,860	2,860
26 April 2021 *	23 April 2024	26 April 2029	23.81	32.50	2,860	2,860
26 April 2021 *	31 December 2021	31 December 2025	20.06	32.50	2,158	2,158
26 April 2021 *	30 June 2023	31 December 2025	20.06	32.50	2,158	2,158
26 April 2021 *	31 December 2024	31 December 2025	20.06	32.50	2,158	2,158
26 April 2021 *	31 December 2023	31 December 2025	20.06	32.50	2,158	2,158
26 April 2021 *	31 December 2025	31 December 2025	20.06	32.50	2,158	2,158
			-	-	29,487	37,576
Weighted average remaining contractual lift of options outstanding at end of period					4.11	4.11

* These options have been approved by the board of directors, and are pending offer and acceptance by employees.

Options are valued using the Black-Scholes valuation method and equity-settled. Vesting conditions differ for each class of options but are usually attached to employment and performance conditions.

20 Capital Commitments

There was no significant capital expenditure contracted as at the reporting period (2021: Nil).

Notes to the Financial Statements

For the Year Ended 30 June 2022

21 Financial Risk Management

The Company is exposed to a variety of financial risks through its use of financial instruments.

The Company's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets.

The most significant financial risks to which the Company is exposed to are described below:

Specific risks

- Liquidity risk
- Credit risk
- Market risk - currency risk, interest rate risk and price risk

Financial instruments used

The principal categories of financial instrument used by the Company are:

- Trade receivables
- Cash at bank
- Trade and other payables

Liquidity risk

Liquidity risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company manages its liquidity needs by carefully monitoring cash-outflows due in day-to-day business.

Notes to the Financial Statements

For the Year Ended 30 June 2022

21 Financial Risk Management (continued)

The table below reflects the undiscounted contractual maturity analysis for financial liabilities.

Financial liability maturity analysis - Non-derivative

30 June 2022

	Weighted average Interest rate %	Within 1 Year \$	1 to 5 Years \$	Over 5 Years \$	Total \$
Financial liabilities due for payment					
Trade and other payables	-	831,325	-	-	831,325
Borrowings	14.00	856,655	-	-	856,655
Convertible notes	5.00	-	19,861,127	-	19,861,127
Total contractual outflows		1,687,980	19,861,127	-	21,549,107

30 June 2021

	Weighted average Interest rate %	Within 1 Year \$	1 to 5 Years \$	Over 5 Years \$	Total \$
Financial liabilities due for payment					
Trade and other payables	-	1,167,052	-	-	1,167,052
Related party payables	22.50	-	1,940,562	-	1,940,562
Borrowings	15.00	349,157	-	-	349,157
Total contractual outflows		1,516,209	1,940,562	-	3,456,771

The convertible notes are expected to convert into ordinary shares upon the occurrence of a trade sale or IPO, and not on maturity date noted above.

The timing of expected outflows is otherwise not expected to be materially different from contracted cashflows.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure to wholesale and retail customers, including outstanding receivables and committed transactions.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Notes to the Financial Statements

For the Year Ended 30 June 2022

21 Financial Risk Management (continued)

Credit risk (continued)

Trade receivables

Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

(i) Foreign exchange risk

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

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting. The entity is most exposed to fluctuations in the AUD to USD and AUD to EUR foreign exchange rate, primarily through its holdings of foreign cash balances.

Should this rate increase or decrease by 10% it would increase or decrease the loss after tax for the year by \$466,158.

(ii) Interest rate risk

The Company is exposed to interest rate risk as funds are borrowed at floating and fixed rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

(iii) Price risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in fair value through profit and loss.

Such risk is managed through diversification of investments across industries and geographic locations.

CurveBeam AI Limited (formerly StraxCorp Pty Ltd)

ABN 32 140 706 618

Notes to the Financial Statements For the Year Ended 30 June 2022

22 Key Management Personnel Remuneration

The totals of remuneration paid to the key management personnel of the Company during the year are as follows:

	2022	2021
	\$	\$
Short-term benefits	1,569,192	1,288,307
Long-term benefits	70,228	18,989
Termination benefits	16,298	-
Share-based payments	107,790	22,245
	<u>1,763,508</u>	<u>1,329,541</u>

23 Auditors' Remuneration

	2022	2021
	\$	\$
Remuneration of the auditor PricewaterhouseCoopers:		
- auditing or reviewing the financial statements	67,500	35,000
	<u>67,500</u>	<u>35,000</u>

24 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2022 (30 June 2021:None).

25 Related Parties

(a) The Company's main related parties are as follows:

Key management personnel

The names of key management personnel are as follows:

Robert Lilley	Non-Executive Chair (a)	
Gregory Brown	Managing Director and CEO (b)	
David Seeman	Non-Executive Director	
Roger Zebaze	Non-Executive Director	Resigned on 7 September 2021
Hashan De Silva	Non-Executive Director	Appointed on 1 October 2021
Ura Auckland	CFO, COO and Company Secretary	
Yu Peng	CTO	
Belinda Robinson	Director of Sales and Marketing	

For details of key management personnel remuneration, refer to Note 22.

Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel or their close family members.

Notes to the Financial Statements

For the Year Ended 30 June 2022

25 Related Parties (continued)

(b) Loans to/from related parties

Loans were made from directors on an arm's length basis in a prior period. Repayment terms were set for each loan, which ranged up to five years and have no monthly principal repayments. Interest was capitalised to the loan at 22.5%. The loans were unsecured and repayable in cash or shares. Principal amounts owed were converted into convertible notes as a part of the Pre-IPO capital raise completed during the year, and interest repaid in cash.

	2022	2021
	\$	\$
Loans from Directors	-	1,940,562
	-	1,940,562

26 Cash Flow Information

(a) Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:

	2022	2021
	\$	\$
Loss for the year	(8,544,646)	(2,820,996)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- amortisation	171,798	86,825
- depreciation	31,387	3,053
- interest on convertible notes	2,632,190	346,700
- share options expensed	206,898	87,462
- effect of exchange rates on cash holdings in foreign currencies	(224,956)	-
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	(875,103)	(23,361)
- (increase)/decrease in other assets	(911,435)	(5,923)
- increase/(decrease) in trade and other payables	(619,800)	705,965
- increase/(decrease) in provisions	120,861	80,261
- increase/(decrease) in employee benefits	21,994	28,486
Cashflows from operations	(7,990,812)	(1,511,528)

27 Events Occurring After the Reporting Date

On 15 August 2022, the Company held an Extraordinary General Meeting (EGM), whereby the shareholders of the Company resolved to approve the following:

- A new constitution appropriate for a public company and for the anticipated listing on ASX.
- The acquisition of CurveBeam LLC (the merger detailed above)

Notes to the Financial Statements

For the Year Ended 30 June 2022

27 Events Occurring After the Reporting Date (continued)

- Conversion to a public company
- Change of name from StraxCorp Pty Ltd to CurveBeam AI Limited (due to the merger) and effective on conversion to a public company.
- The setting of the cap for remuneration of nonexecutive directors as required for public companies; and
- Share split on a 1 for 100 basis effective on conversion to a public company.

On 16 August 2022 the Company signed a mandate letter with Bell Potter Securities Limited and Lodge Corporate Pty Ltd as Joint Lead Managers (JLMs) to undertake another Pre-IPO offer to raise A\$15m and accepting up to A\$10m in oversubscriptions, and to set out the pathway to a liquidity event, following completion of the merger.

On 2 September 2022 the Company signed a merger agreement with CurveBeam, LLC. The Merger is subject to meeting conditions precedent which include the following, among others:

- formal approval of the Merger by a requisite 70% of CurveBeam shareholders by units held, which has been confirmed as probable through the receipt of support agreements to that effect prior to signing from a requisite majority; and
- the requisite 75% special majority of holders of Convertible Notes consenting to the amendment of the Convertible Note Deed. The amendments to the Deed Poll for which consent will be sought include, among other things, permitting the Company to undertake the merger, amending the conversion mechanics to deal with the merger shares and value, and other related and consequential changes to the terms of issue of the Convertible Notes, which was achieved on 22nd September 2022.
- the completion of the conversion of the Company to a public company following the EGM, which required an application to ASIC, and following their processing the publication in the Government Gazette and a mandatory one month exposure period.

On 22nd September 2022, the Company executed the Amending Deed Poll with respect to the 2021 Pre-IPO Convertible Notes and the original deed poll dated 25th August 2021, following receipt of Noteholder Approval documents from the requisite 75% Special Majority. The Amending Deed Poll had the following key features:

- amendments relating to the new company constitution approved at the shareholder EGM on 15th August.
- amending the base maturity date by 4 months
- expanding permitted uses of funds to include those related to the Merger.
- permitting the Company to provide funding to CurveBeam prior to completion on terms permitted by a board special majority.
- expanding permitted encumbrances to include those over CurveBeam's assets at the date of the merger agreement, and in the ordinary course of business up until closing to a maximum value of \$500,000.

Notes to the Financial Statements

For the Year Ended 30 June 2022

27 Events Occurring After the Reporting Date (continued)

- permitting director loans of up to \$2 million.
- Upon completion of the merger:
 - amending the definition of PMV (Pre-Money Value) to take account of the significant increase in the value of the merged group as a result of the Merger;
 - expanding the permitted uses of proceeds from the issuance of Convertible Notes to include specified CurveBeam expenses and liabilities;
 - permitting the Company to issue securities as contemplated by the Merger Agreement (i.e., the consideration payable to CurveBeam members).

On 27th September 2022 the company held an EGM whereby shareholders were asked to approve the following ordinary resolutions, all of which were passed unanimously, with no votes received from shareholders associated with Key Management Personnel or who were subject to voting exclusions or conflicts of interest :

- That for the purposes of sections 257B, 259B(2) and 260C(4) of the Corporations Act and for all other purposes, the Long Term Incentive Plan of the Company as described in the Explanatory Statement be approved.
- That for the purposes of sections 200B and 200E of the Corporations Act and for all other purposes, the giving of benefits under the Long Term Incentive Plan to a person by the Company in connection with that person ceasing to hold a managerial or executive office in the Company or a related body corporate on the terms set out in the Explanatory Statement be approved.
- That for the purposes of section 200B and 200E of the Corporations Act, the Company is authorised to give to Mr. Greg Brown, Chief Executive Officer of the Company, the benefits which may be given in connection with his retirement from office in the Company, further details of which are set out in the Explanatory Statement.
- That for the purposes of section 200B and 200E of the Corporations Act, the Company is authorised to give to Mr. Ura Auckland, Chief Financial Officer and Company Secretary of the Company, the benefits which may be given in connection with his retirement from office in the Company, further details of which are set out in the Explanatory Statement.
- That for the purposes of section 200B and 200E of the Corporations Act, the Company is authorised to give to Dr. Yu Peng, Chief Technical Officer of the Company, the benefits which may be given in connection with his retirement from office in the Company, further details of which are set out in the Explanatory Statement.

On 30 September 2022 the Company finalised its name change and conversion to a public company; the new name of the Company is CurveBeam AI Limited.

Other than as described in this section and under the heading "Significant changes in state of affairs", no other matters or circumstances have arisen since the end of the year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

CurveBeam AI Limited (formerly StraxCorp Pty Ltd)

ABN 32 140 706 618

Notes to the Financial Statements
For the Year Ended 30 June 2022

28 Statutory Information

The registered office and principal place of business of the company is:

CurveBeam AI Limited
Suite 5 Level 10
470 Collins Street
Melbourne VIC 3000

CurveBeam AI Limited (formerly StraxCorp Pty Ltd)

ABN 32 140 706 618

Directors' Declaration


The directors of the Company declare that:

1. the financial statements and notes for the year ended 30 June 2022:
 - a. comply with Accounting Standards, which, as stated in basis of preparation Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position and performance of the Company;
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable with the continuing support of creditors.

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

Director 

Gregory Brown
Managing Director and CEO

Director 

Robert Lilley
Non-Executive Chair

Dated this 7th day of October 2022



Independent auditor's report

To the members of Curvebeam AI Limited (formerly Straxcorp Pty Ltd)

Our opinion

In our opinion the accompanying financial report presents fairly, in all material respects, the financial position of Curvebeam AI Limited (formerly Straxcorp Pty Ltd) (the Company) as at 30 June 2022 and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

What we have audited

The financial report comprises:

- the statement of financial position as at 30 June 2022
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the statement of profit or loss and other comprehensive income for the year then ended
- the notes to the financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Company in accordance with the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 2(o) in the financial report, which indicates that for the year ended 30 June 2022, the Company incurred a net loss of \$8,544,646, and recorded a negative cash flow from operations of \$7,990,812. As at 30 June 2022, the Company's current assets exceeded its current liabilities by \$9,195,084 and its total liabilities exceeded its total assets by \$10,426,443. As a result, the Company is dependent on continued equity funding, pursuing a potential listing and initial public offering on the Australia Securities Exchange, the conversion of its convertible notes into shares and the successful commercial development of the intangible assets of the company. These conditions, along with other matters set forth in Note 2(o), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999

Liability limited by a scheme approved under Professional Standards Legislation.

Emphasis of matter - basis of accounting and restriction on use

We draw attention to Note 1 in the financial report, which describes the basis of accounting. The financial report has been prepared for internal purposes to assist Curvebeam AI Limited (formerly Straxcorp Pty Ltd) and its members. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for Curvebeam AI Limited (formerly Straxcorp Pty Ltd) and its members and should not be used by parties other than Curvebeam AI Limited (formerly Straxcorp Pty Ltd) and its members. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

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



A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script that reads 'Paul Lewis'.

Paul Lewis
Partner

Melbourne
7 October 2022

CurveBeam AI Limited and its controlled entities

(formerly StraxCorp Pty Ltd)

ABN 32 140 706 618

Interim Report

For the Half-Year Ended 31 December 2022

CurveBeam AI Limited and its controlled entities

ABN 32 140 706 618

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For the Half-Year Ended 31 December 2022

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CurveBeam AI Limited and its controlled entities

ABN 32 140 706 618

Corporate Directory

31 December 2022

Directors

Robert Lilley	Non-Executive Chair
Gregory Brown	Managing Director and CEO
Arun Singh	Executive Director and COO
Kate Robb	Non-Executive Director
Hashan De Silva	Non-Executive Director

CFO and Company Secretary

Ura Auckland

CTO

Yu Peng

Registered office

Level 10, 10 Queen Street
Melbourne VIC 3000

Auditor

PricewaterhouseCoopers
Level 19/2 Riverside Quay
Southbank VIC 3006

Solicitor (Australia)

Johnson Winter & Slattery
Level 29/111 Eagle St
Brisbane City QLD 4000

Legal Counsel (USA)

Sheppard Mullin
30 Rockefeller Plaza
New York, NY 101120015
Phone: +1 2126538700

CurveBeam AI Limited and its controlled entities

ABN 32 140 706 618

Directors' Report

31 December 2022

The directors present their report, together with the consolidated financial statements of the Group, being CurveBeam AI Limited (formerly StraxCorp Pty Ltd)* ('the Company') and its controlled entities, for the financial half-year ended 31 December 2022.

Directors

The names of each person who has been a director during the half-year and to the date of this report are:

Names	Position
Robert Lilley	Non-Executive Chair
Gregory Brown	Managing Director and CEO
Arun Singh	Executive Director and COO (appointed 13 March 2023)
Kate Robb	Non Executive Director (appointed 4 April 2023)
Hashan De Silva	Non-Executive Director
David Seeman	Non-Executive Director (resigned 31 March 2023)

The Remuneration Committee is made up by Committee Chair Hashan De Silva, Kate Robb, and Rob Lilley, and the Audit & Risk Committee is comprised of Committee Chair Kate Robb, Hashan De Silva, and Rob Lilley. David Seeman was Chair of the Remuneration Committee until his resignation as a Director on 31 March 2023.

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

Principal activities

The principal activities of the Group spanning the full period were the development, validation and preparation for commercialisation of a HRpQCT Medical Device and Software as a Service (SaaS) platform to support clinicians in their clinical diagnosis of bone fragility in patients.

Following on from the completion of the acquisition of CurveBeam LLC on 12 October 2022 and it joining the Group (see 'Operating results and review of operations' below), the principal activities of the Group expanded to include the research, design, manufacture and sale of cone beam CT imaging equipment for orthopaedic specialties, including the bilateral weightbearing CT imaging system, HiRise.

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

Operating results and review of operations

Following on from the prior reporting period where the results related to only StraxCorp Pty Ltd as a stand alone entity, this half year reporting period has seen the completion of the merger, with CurveBeam, LLC (CurveBeam) of Hatfield PA in the United States, with effect from 12 October 2022. CurveBeam researches, designs, and manufactures cone beam CT imaging systems for orthopaedic specialties, and since 2018 has been in an especially important two-way collaboration with the Company as the developer and manufacturer of the HR-pQCT platform to be paired with the SaaS platform. The merger is both a vertical and concentric merger that expands product and market access, global infrastructure, customer base, and installed global CT base for targeting expansion of the SaaS delivered AI solutions.

The merger also secures supply of the HR-pQCT platform, which represents a next generation platform for the Group's AI solutions. The merged group has exciting growth potential underpinned by immediate revenues and several existing products in the market.

The consolidated loss of the Group amounted to \$8,665,161 (December 2021: \$3,142,985).

*StraxCorp Pty Ltd changed its name to CurveBeam AI Limited on 30 September 2022, when it converted to a public company, as part of the conditions precedent to the merger with CurveBeam LLC.

CurveBeam AI Limited and its controlled entities

ABN 32 140 706 618

Directors' Report

31 December 2022

Operating results and review of operations (continued)

This amounts to an increase in net loss of \$5,522,176, primarily as a result of the following:

- Results from the operations of the acquired entity (CurveBeam LLC) for the period from 12 October 2022 to 31 December 2022 amounting to a loss of \$1,696,566, made of gross margin contributions of \$1,220,300 and other income of \$58,616 offset by operating expenditure of \$2,975,482.
- Other operating expenditure increases in the December 2022 period include:
 - Additional consulting and professional fees of \$1,404,368, primarily related to the acquisition completed in the period.
 - Additional \$980,338 of finance expenses related to notional interest expense on the convertible notes raised in both the current and the comparative period.
 - Additional HR expenses of \$518,257 as a result of the growth of the company's operations.
 - Depreciation and amortisation increased by \$474,883, primarily related to the amortisation of the newly acquired intangible assets from the acquisition.

Options

A list of issued options on issue and details of the share-based payments expense for the period have been disclosed in Note 16.

Significant changes in state of affairs

On 25 July 2022 the Company incorporated a wholly owned subsidiary, as a US based holding company 'CurveBeam AI US Holdco Inc.' to hold the shares in CurveBeam LLC following its acquisition and merger into the group. On the same date, the Group incorporated CB Merger Sub LLC as a wholly owned subsidiary of CurveBeam AI US Holdco Inc, the function of which was for CurveBeam LLC to merge into, at completion of the merger.

On 15 August 2022, the Company held an Extraordinary General Meeting (EGM), whereby the shareholders of the Company resolved to approve the following:

- A new constitution appropriate for a public company and for the anticipated listing on ASX.
- The acquisition of CurveBeam LLC (the merger detailed above)
- Conversion to a public company
- Change of name from StraxCorp Pty Ltd to CurveBeam AI Limited (due to the merger) and effective on conversion to a public company.
- The setting of the cap for remuneration of non-executive directors as required for public companies; and
- Share split on a 1-for-100 basis effective on conversion to a public company.

On 16 August 2022 the Company signed a mandate letter with Bell Potter Securities Limited and Lodge Corporate Pty Ltd as Joint Lead Managers (JLMs) to undertake another Pre-IPO offer to raise A\$15m and accepting up to A\$10m in oversubscriptions, and to set out the pathway to a liquidity event, following completion of the merger.

CurveBeam AI Limited and its controlled entities

ABN 32 140 706 618

Directors' Report

31 December 2022

Significant changes in state of affairs (continued)

On 2 September 2022 the Company signed a merger agreement with CurveBeam, LLC. The Merger was subject to meeting conditions precedent which included the following, among others:

- formal approval of the Merger by a requisite 70% CurveBeam shareholders by units held;
- the requisite 75% special majority of holders of the Company's 2021 Pre-IPO Convertible Notes consenting to the amendment of the Convertible Note Deed. The amendments to the Deed Poll for which consent was sought included, among other things, permitting the Company to undertake the merger, amending the conversion mechanics to deal with the merger shares and value, and other related and consequential changes to the terms of issue of the Convertible Notes, which was achieved on 22 September 2022.
- the completion of the conversion of the Company to a public company following the EGM, which required an application to ASIC, and following their processing the publication in the Government Gazette and a mandatory one month exposure period.

On 22 September 2022, the Company executed the Amending Deed Poll with respect to the 2021 Pre-IPO Convertible Notes and the original deed poll dated 25 August 2021, following receipt of Noteholder Approval documents from the requisite 75% Special Majority. The Amending Deed Poll had the following key features:

- amendments relating to the new company constitution approved at the shareholder EGM on 15 August 2022.
- extending the base maturity date by 4 months
- expanding permitted uses of funds to include those related to the Merger.
- permitting the Company to provide funding to CurveBeam prior to completion on terms permitted by a board special majority.
- expanding permitted encumbrances to include those over CurveBeam's assets at the date of the merger agreement, and in the ordinary course of business up until closing to a maximum value of \$500,000.
- permitting director loans of up to \$2 million.
- Upon completion of the merger:
 - amending the definition of PMV (Pre-Money Value) to take account of the significant increase in the value of the merged group as a result of the Merger;
 - expanding the permitted uses of proceeds from the issuance of Convertible Notes to include specified CurveBeam expenses and liabilities;
 - permitting the Company to issue securities as contemplated by the Merger Agreement (i.e., the consideration payable to CurveBeam members).

On 27 September 2022 the company held an EGM whereby shareholders were asked to approve the following ordinary resolutions, all of which were passed unanimously, with no votes received from shareholders associated with Key Management Personnel or those who were subject to voting exclusions or conflicts of interest:

CurveBeam AI Limited and its controlled entities

ABN 32 140 706 618

Directors' Report

31 December 2022

Significant changes in state of affairs (continued)

- That for the purposes of sections 257B, 259B(2) and 260C(4) of the Corporations Act and for all other purposes, the Long Term Incentive Plan of the Company as described in the Explanatory Statement be approved.
- That for the purposes of sections 200B and 200E of the Corporations Act and for all other purposes, the giving of benefits under the Long Term Incentive Plan to a person by the Company in connection with that person ceasing to hold a managerial or executive office in the Company or a related body corporate on the terms set out in the Explanatory Statement be approved.
- That, as required by section 200B and 200E of the Corporations Act, the Company is authorised to give the benefits which may be given in connection with retirement from office in the Company, to Mr. Greg Brown, Chief Executive Officer of the Company, Mr. Ura Auckland, Chief Financial Officer and Company Secretary of the Company, and Dr. Yu Peng, Chief Technical Officer of the Company.

On 30 September 2022 the Company finalised its name change and conversion to a public company; and the name of the Company became CurveBeam AI Limited.

On 12 October 2022, the conditions precedent to this acquisition were met and the merger was finalised.

On 31 October 2022, the Company finalised Tranche 1 of the 2022 Post-Merger Pre-IPO capital raise, raising A\$10,701,000, before costs, by way of convertible note issue.

On 21 December 2022, the Company established a new subsidiary in the United Kingdom, CurveBeam AI UK Limited.

There have been no other significant changes in the state of affairs of the Company during the period.

Events after the reporting date

On 24 February 2023, the Company finalised Tranche 2 of the 2022 Post-Merger Pre-IPO capital raise, raising \$14,299,000 before costs, by way of convertible note issue. This completes the 2022 Post-Merger Pre-IPO capital raise, having raised \$25 million across the October 2022 and February 2023 issues, and having accepted the maximum in oversubscriptions set for the capital raise.

On 21 March 2023, the Group entered into an agreement to acquire the CT device distribution rights from a German based distributor for a gross amount of €435,000.

No other matters or circumstances have arisen since the end of the financial half-year which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Future developments and results

Refer to the principal activities and review of operations sections above for additional information on the likely developments and expected results of operations.

Further information has not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the entity.

CurveBeam AI Limited and its controlled entities

ABN 32 140 706 618

Directors' Report

31 December 2022

Impact of COVID-19

The outbreak of COVID-19 and the subsequent quarantine measures imposed by the Australian, US and other governments, as well as the travel and trade restrictions imposed by Australia, US and other countries through financial periods ended December 2021 and December 2022, have caused disruption to businesses and economic activity. For the Group this has particularly impacted its clinical validation trial for its HR-pQCT and its capital raising processes necessary for scale up and commercial launch. Delays since March of 2020 have cumulatively impacted launch timing by around 12 months.

In response to COVID-19, the Australian and US Governments' implemented policies and measures through calendar years 2021 and 2022 with the aim of containing the virus, with most jurisdictions requiring extended social and workplace restrictions. Other than as outlined above, these measures have not had any material impact on the business.

The Groups business operations currently remain resilient in the face of the challenges presented by these continuing social and workplace restrictions.

Environmental regulation

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

Indemnification and insurance of officers and auditors

The Group has indemnified the directors and executives of the Group for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith. During the financial year, the Group paid a premium in respect of a contract to insure the directors and executives of the Group against a liability to the extent permitted by the *Corporations Act 2001*. The Group has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Group or any related entity against a liability incurred by the auditor.

Proceedings on behalf of the Group

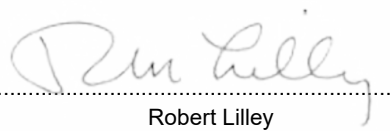
No person has applied for leave of court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

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

Director:


Gregory Brown
Managing Director and CEO

Director:


Robert Lilley
Non-Executive Chair

Dated this 3rd day of May 2023

CurveBeam AI Limited and its controlled entities

ABN 32 140 706 618

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half-Year Ended 31 December 2022

		31 December 2022	31 December 2021
	Note	\$	\$
Revenue	5(a)	2,178,758	-
Cost of sales	6	(958,458)	-
Gross profit		1,220,300	-
Other income	5(b)	627,150	720,846
Consulting and professional fees	8(a)	(2,768,674)	(1,113,493)
Human resource expenses	8(b)	(3,628,827)	(1,269,764)
Administrative, insurance and information technology expenses		(321,410)	(111,320)
Occupancy costs		(39,994)	(35,076)
Travel and entertainment expenses		(290,488)	(26,441)
Research and development external expenditure		(195,575)	(300)
Marketing expenses		(366,921)	(1,572)
Product and market registration expenses		(26,464)	(12,894)
Depreciation and amortisation expense		(618,039)	(84,652)
Finance expenses	7	(2,054,027)	(1,065,907)
IP costs		(130,366)	-
Other expenses		(71,826)	(142,412)
Loss before income tax		(8,665,161)	(3,142,985)
Income tax expense		-	-
Loss for the half-year		(8,665,161)	(3,142,985)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive loss for the half-year		(8,665,161)	(3,142,985)
Profit attributable to:			
Members of the parent entity		(8,665,161)	(3,142,985)
Total comprehensive income attributable to:			
Members of the parent entity		(8,665,161)	(3,142,985)

The accompanying notes form part of these financial statements.

CurveBeam AI Limited and its controlled entities

ABN 32 140 706 618

Consolidated Statement of Financial Position
As At 31 December 2022

		31 December 2022	30 June 2022
	Note	\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		5,943,428	8,698,649
Trade and other receivables		2,501,969	1,548,003
Inventories	9	6,767,983	-
Other assets		1,739,982	947,973
TOTAL CURRENT ASSETS		16,953,362	11,194,625
NON-CURRENT ASSETS			
Property, plant and equipment		194,139	26,763
Right-of-use assets		1,150,378	-
Intangible assets	10	41,174,478	559,905
Other assets		66,740	11,044
TOTAL NON-CURRENT ASSETS		42,585,735	597,712
TOTAL ASSETS		59,539,097	11,792,337
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	6,143,806	831,325
Borrowings		-	856,655
Lease liabilities		177,803	-
Provisions		710,102	311,561
Contract liabilities	12	4,729,333	-
Contingent consideration	4	8,431,924	-
TOTAL CURRENT LIABILITIES		20,192,968	1,999,541
NON-CURRENT LIABILITIES			
Borrowings	13	13,301,258	-
Lease liabilities		1,052,226	-
Provisions		26,176	21,372
Other financial liabilities	14	32,323,917	20,197,867
TOTAL NON-CURRENT LIABILITIES		46,703,577	20,219,239
TOTAL LIABILITIES		66,896,545	22,218,780
NET LIABILITIES		(7,357,448)	(10,426,443)
EQUITY			
Issued capital	15	17,525,706	7,313,539
Share-based payment reserves	16	371,487	355,582
Embedded derivative reserve	14	17,995	-
Foreign currency translation reserve		1,488,089	-
Accumulated losses		(26,760,725)	(18,095,564)
TOTAL EQUITY		(7,357,448)	(10,426,443)

The accompanying notes form part of these financial statements.

CurveBeam AI Limited and its controlled entities

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Consolidated Statement of Changes in Equity For the Half-Year Ended 31 December 2022

	Issued capital	Share based payment reserve	Embedded derivative reserve	Foreign currency translation reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2022	7,313,539	355,582	-	-	(18,095,564)	(10,426,443)
Loss for the half-year	-	-	-	-	(8,665,161)	(8,665,161)
Share based payment transactions	-	15,905	-	-	-	15,905
Shares issued on acquisition of business	10,212,167	-	-	-	-	10,212,167
Additional conversion options from issue of convertible notes	-	-	17,995	-	-	17,995
Foreign currency translation adjustment	-	-	-	1,488,089	-	1,488,089
Balance at 31 December 2022	17,525,706	371,487	17,995	1,488,089	(26,760,725)	(7,357,448)

	Issued capital	Share based payment reserve	Embedded derivative reserve	Foreign currency translation reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2021	6,991,485	425,711	-	-	(9,630,243)	(2,213,047)
Transfer of convertible raising costs to balance sheet	40,000	-	-	-	-	40,000
Loss for the half-year	-	-	-	-	(3,142,985)	(3,142,985)
Share based payment transactions	-	138,985	-	-	-	138,985
Balance at 31 December 2021	7,031,485	564,696	-	-	(12,773,228)	(5,177,047)

The accompanying notes form part of these financial statements.

CurveBeam AI Limited and its controlled entities

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Consolidated Statement of Cash Flows**For the Half-Year Ended 31 December 2022**

	31 December 2022 \$	31 December 2021 \$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	2,430,574	-
Receipts for R&D tax offset	1,430,137	-
Interest received	18,276	7,280
Interest paid	(39,854)	(88,279)
Payments to suppliers and employees	(12,589,150)	(3,347,026)
Net cash provided by/(used in) operating activities	<u>(8,750,017)</u>	<u>(3,428,025)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash acquired on acquisition of business	96,412	-
Related party promissory note advanced	(3,372,727)	-
Payment for intangible asset	-	(94,606)
Purchase of property, plant and equipment	(44,986)	(38,215)
Net cash provided by/(used in) investing activities	<u>(3,321,301)</u>	<u>(132,821)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the issue of convertible notes (net of transactions costs)	10,161,908	15,738,935
Proceeds from/(repayments of) related party loans	(6,687)	-
Repayment of R&D and insurance premium funding loans	(856,655)	(345,085)
Payment of lease liabilities	(45,598)	-
Net cash provided by/(used in) financing activities	<u>9,252,968</u>	<u>15,393,850</u>
Net increase/(decrease) in cash and cash equivalents held	(2,818,350)	11,833,004
Cash and cash equivalents at the beginning of the period	8,698,649	202,399
Effect of exchange rates on cash holdings in foreign currencies	63,129	-
Cash and cash equivalents at the end of the period	<u>5,943,428</u>	<u>12,035,403</u>

The accompanying notes form part of these financial statements.

CurveBeam AI Limited and its controlled entities

ABN 32 140 706 618

Notes to the Consolidated Financial Statements

For the Half-Year Ended 31 December 2022

The consolidated financial report covers CurveBeam AI Limited and its controlled entities ('the Group'). CurveBeam AI Limited is a for-profit public Company, incorporated and domiciled in Australia.

Each of the entities within the Group prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

The financial report was authorised for issue by the Directors on 3 May 2023. The directors have the power to amend and reissue the consolidated financial statements.

1 Basis of Preparation

These general purpose consolidated financial statements for the interim half-year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. These general purpose consolidated financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these consolidated financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022.

The consolidated financial statements, except for cash flow information, have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the consolidated financial statements have been rounded to the nearest dollar.

Comparative Amounts

Comparatives are consistent with prior years and not consolidated, with the exception of government grant income, previously recognised as revenue in the December 2021 comparative financial period. In these consolidated financial statements, it is now recognised as other income, with prior year figures reclassified to match.

2 Accounting Policies

(a) Principles of consolidation and equity accounting

(i) *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity where the group 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 group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group (see note 4).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Notes to the Consolidated Financial Statements

For the Half-Year Ended 31 December 2022

2 Accounting Policies (continued)

(a) Principles of consolidation and equity accounting (continued)

(i) *Subsidiaries (continued)*

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(ii) *Changes in ownership interests*

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(b) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

(ii) *Transaction and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation. Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses). Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. E.g. translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

Notes to the Consolidated Financial Statements

For the Half-Year Ended 31 December 2022

2 Accounting Policies (continued)

(b) Foreign currency translation (continued)

(iii) *Group companies*

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(c) **Business combinations**

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Notes to the Consolidated Financial Statements

For the Half-Year Ended 31 December 2022

2 Accounting Policies (continued)

(c) **Business combinations (continued)**

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

(d) **Revenue and other income**

(i) *Revenue from contracts with customers*

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Group expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue as and when control of the performance obligations is transferred

Generally the timing of the payment for sale of goods and rendering of services corresponds closely to the timing of satisfaction of the performance obligations, however where there is a difference, it will result in the recognition of a receivable, contract asset or contract liability.

Device sales, as well as other operating revenue, are recognised at a point-in-time, usually being when the device has been installed and is ready for use, or when the good or service associated with the other operating revenue has been completed. Deposits for device sales are usually recognised in advance of installation, and are categorised as a contract liability until the device has been installed. No significant element of financing is deemed present as the sales are made with a credit term of 60 days, which is consistent with market practice. The group's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision.

(ii) *Extended warranty revenue*

Extended warranty revenue is recognised over the period of which the warranty relates to, and can range from 12 to 60 months. Revenue is recognised on a straightline basis over this period, as the warranty services provided are likely to be at any point of the warranty period. Warranty services consist of customer support, annual maintenance, in addition to replacement parts and labour.

Notes to the Consolidated Financial Statements

For the Half-Year Ended 31 December 2022

2 Accounting Policies (continued)

(iii) *Grant revenue*

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

(iv) *Other income*

Other income is recognised on an accruals basis when the Group is entitled to it.

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

(e) **Impairment of assets**

Goodwill and 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 assets are tested 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. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(f) **Intangibles**

(i) *Goodwill*

Goodwill is measured as described in note 2(c). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

(ii) *Amortisation methods and useful lives*

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods.

Patents and trademarks	5 years
Brand	10 years
Intellectual Property	10 years
Strategic Distribution Agreement	10 years
Permits	10 years

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

CurveBeam AI Limited and its controlled entities

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Notes to the Consolidated Financial Statements

For the Half-Year Ended 31 December 2022

2 Accounting Policies (continued)

(f) Intangibles (continued)

(iii) *Patents and trademarks*

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses.

(iv) *Brand, intellectual property, strategic distribution agreement and permits*

The brand, intellectual property, strategic distribution agreement and permit intangible assets were acquired as part of a business combination (see note 4 for details). They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line basis over their estimated useful lives.

(g) Other reserves

(i) *Foreign currency translation*

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 2(b) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

(ii) *Embedded derivative*

The fair value of separately issued options issued as a part of a convertible note is determined using the Black-Scholes model. This amount is recorded as under equity in a separate reserve on a fair value basis until extinguished on conversion or maturity of the bonds. This is recognised and included in equity, net of income tax effects.

(h) New Accounting Standards and Interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Group has decided not to early adopt these Standards.

These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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

3 Going Concern

The Directors of the Group have prepared this financial report on the basis that the Group will continue to operate as a going concern and that the debts of the business will continue to be settled as and when they fall due. The Group recorded a net loss before tax for the half-year ended 31 December 2022 of \$8,665,161 (December 2021: loss of \$3,142,985). The Group had a net liabilities of \$7,357,448 as at 31 December 2022 (June 2022: net liabilities of \$10,426,443).

In accordance with its plans, the Group will require additional external debt and equity funding to support the execution of its strategy and its operational expenditure until it reaches scale and is in a profitable position.

Therefore, the continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments as they fall due are dependent upon:

CurveBeam AI Limited and its controlled entities

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Notes to the Consolidated Financial Statements

For the Half-Year Ended 31 December 2022

3 Going Concern (continued)

- the Group obtaining continued equity funding, which includes pursuing a potential listing and initial public offering on the Australian Securities Exchange (ASX).
- the conversion of the convertible notes into shares upon listing on the ASX.
- the successful commercial development of the intangible assets of the Group

The Group has previously demonstrated its ability to raise external debt and equity funding, having most recently completed a A\$25 million capital raise in October 2022 and February 2023 by way of issue of the T1 and T2 Pre-IPO Post-Merger 2022 Convertible Note issue. The terms of the convertible note issued in February 2023 are the same as those issued during the half year period ended 31 December 2022, refer to note 14 for details.

As a result of these matters, there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. However, the directors believe that the Group will be successful in the above matters and, accordingly, have prepared the financial report on a going concern basis.

4 Business Combinations

Acquisition of CurveBeam LLC

On 12 October 2022, CurveBeam AI Limited acquired 100% of the ordinary shares of CurveBeam LLC ('CurveBeam') for a total upfront consideration of \$10,212,167 settled by way of 31,422,054 shares, plus contingent consideration of \$8,431,924, comprising of additional shares.

CurveBeam researches, designs, and manufactures cone beam CT imaging systems for orthopaedic specialties, and since 2018 has been in an especially important two-way collaboration with the Company as the developer and manufacturer of the HR-pQCT platform to be paired with the SaaS platform. The merger is both a vertical and concentric merger that expands product and market access, global infrastructure, customer base, and installed global CT base for targeting expansion of the SaaS delivered AI solutions.

As at 31 December 2022, the consolidated entity has provisionally analysed whether all identifiable intangible assets have been recognised and vendor warranties and representations met. Accordingly, the initial accounting for the acquisition of CurveBeam has only been provisionally determined at the end of the reporting period, due to proximity to reporting period end, and the size and complexity of the acquisition.

The acquired business contributed revenue of \$2,178,758 and a loss after tax of \$1,696,566 to the consolidated entity for the period from acquisition to 31 December 2022, and would have contributed revenue \$5,562,982 and a loss after tax of \$3,989,144 if the acquisition date had been the beginning of the annual reporting period.

Goodwill is not deductible for tax purposes.

CurveBeam AI Limited and its controlled entities

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Notes to the Consolidated Financial Statements For the Half-Year Ended 31 December 2022

4 Business Combinations (continued)

Acquisition of CurveBeam LLC (continued)

The provisional fair values of the identifiable net assets acquired are detailed below:

	Fair value \$
Assets or liabilities acquired:	
Cash at bank	96,412
Trade and other receivables	2,228,487
Inventory	5,077,544
Other assets	245,152
Right-of-use assets	364,358
Plant and equipment	178,150
Brands	1,999,681
Intellectual Property	16,780,418
Strategic Distribution Agreement	1,369,797
Permits	819,646
Trade and other payables	(5,832,602)
Deferred revenue	(6,228,896)
Lease liabilities	(457,686)
Warranty provisions	(322,984)
Borrowings	(17,750,036)
Other financial liabilities	(103,652)
Identifiable assets acquired and liabilities assumed	(1,536,211)
Goodwill	20,180,303
Net assets acquired and liabilities assumed	18,644,092
Acquisition-date fair value of the total consideration transferred	
<i>Representing consideration transferred:</i>	
CurveBeam AI Limited shares issued to vendor ^(a)	10,212,167
Contingent Merger Consideration	
- Contingent Merger Consideration ^(b)	441,129
- Contingent Merger Consideration ^(c)	330,881
- Further Top up Merger Consideration ^(c)	7,659,915
Total consideration	18,644,092

a) The fair value of shares issued on 12 October 2022 was found to be \$0.325, based on market transactions on or about this date.

b) 1,357,321 shares have been deferred from issue, contingent on the finalisation of the audit for the 30 June 2024 financial year. It is highly likely these shares will be issued and so have been included in purchase consideration, valued at \$0.325 per share, and classified as a liability on the balance sheet.

CurveBeam AI Limited and its controlled entities

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Notes to the Consolidated Financial Statements For the Half-Year Ended 31 December 2022

4 Business Combinations (continued)

Acquisition of CurveBeam LLC (continued)

- c) Additional shares are to be issued upon conversion of convertible notes to ordinary shares. The exact amount to be converted is dependent on the number of convertible notes to be converted, but the maximum number to be issued amounts to 24,587,063. This is highly likely to be the number issued and thus is included in the initial purchase consideration, valued at \$0.325 per share, and classified as a liability on the balance sheet.

5 Revenue and Other income

(a) Revenue

	31 December 2022	31 December 2021
	\$	\$
- Sales of devices	1,811,035	-
- Warranty service	287,817	-
- Other operating revenue	79,906	-
Total Revenue	2,178,758	-

Amounts previously classified as revenue in the 31 December 2021 financial statements have been reclassified to "Other Income" as they relate to R&D tax rebates and more appropriately reflect the nature of the underlying item.

Timing of revenue recognition

	31 December 2022	31 December 2021
	\$	\$
Revenue at a point in time	1,890,941	-
Revenue over time	287,817	-
Total revenue	2,178,758	-

(b) Other Income

	31 December 2022	31 December 2021
	\$	\$
- Research and development tax incentives	563,008	705,461
- Interest income	11,627	7,280
- Realised foreign currency gains/(losses)	38,623	8,105
- Unrealised foreign currency gains/(losses)	13,892	-
Total Other Income	627,150	720,846

CurveBeam AI Limited and its controlled entities

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Notes to the Consolidated Financial Statements For the Half-Year Ended 31 December 2022

6 Cost of Sales

	31 December 2022	31 December 2021
	\$	\$
Direct material costs	665,188	-
Other direct costs	129,933	-
Indirect warranty costs	113,253	-
Freight costs	50,084	-
	<u>958,458</u>	<u>-</u>

7 Finance Expenses

	31 December 2022	31 December 2021
	\$	\$
Interest on convertible notes	1,982,137	977,628
Other finance charges	71,890	88,279
Total finance expenses	<u>2,054,027</u>	<u>1,065,907</u>

8 Expenses

(a) Consultant and Professional Expenses

	31 December 2022	31 December 2021
	\$	\$
Consulting and contracting	495,672	848,644
Professional fees	2,273,002	264,849
	<u>2,768,674</u>	<u>1,113,493</u>

(b) Human Resource Expenses

	31 December 2022	31 December 2021
	\$	\$
Human Resource Remuneration	2,931,064	873,259
Human Resource On-costs	681,859	257,520
Share-based payments	15,904	138,985
	<u>3,628,827</u>	<u>1,269,764</u>

CurveBeam AI Limited and its controlled entities

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Notes to the Consolidated Financial Statements For the Half-Year Ended 31 December 2022

9 Inventories

	31 December 2022 \$	30 June 2022 \$
CURRENT		
At cost:		
Finished goods	1,682,152	-
Raw materials	5,085,831	-
	6,767,983	-

Inventories are measured at the lower of cost and net realisable value. Cost of inventory is determined using the first-in-first-out basis and is net of any rebates and discounts received. Net realisable value is estimated using the most reliable evidence available at the reporting date and inventory is written down through an obsolescence provision if necessary.

CurveBeam AI Limited and its controlled entities

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Notes to the Consolidated Financial Statements For the Half-Year Ended 31 December 2022

10 Intangible Assets

	31 December 2022 \$	30 June 2022 \$
Goodwill		
Fair value on acquisition	20,180,302	-
Net carrying value	20,180,302	-
Patents – Strax Fam's 1 to 5		
Cost	780,069	780,069
Accumulated amortisation	(658,311)	(630,153)
Net carrying value	121,758	149,916
Patents – Regulatory Approvals		
Cost	34,128	34,128
Accumulated amortisation	(34,128)	(34,128)
Net carrying value	-	-
Patents – AI		
Cost	495,478	495,478
Accumulated amortisation	(132,995)	(85,489)
Net carrying value	362,483	409,989
Brand		
Fair value on acquisition	1,999,681	-
Accumulated amortisation	(43,829)	-
Net carrying value	1,955,852	-
Intellectual Property		
Fair value on acquisition	16,780,418	-
Accumulated amortisation	(367,790)	-
Net carrying value	16,412,628	-
Strategic Distribution Agreement		
Fair value on acquisition	1,369,797	-
Accumulated amortisation	(30,023)	-
Net carrying value	1,339,774	-
Permits		
Fair value on acquisition	819,646	-
Accumulated amortisation	(17,965)	-
Net carrying value	801,681	-
Total Intangible assets	41,174,478	559,905

CurveBeam AI Limited and its controlled entities

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Notes to the Consolidated Financial Statements

For the Half-Year Ended 31 December 2022

10 Intangible Assets (continued)

Movements in carrying amounts of intangible assets

	Patents - Strax Fam's 1 to 5 \$	Patents - Regulatory Approvals \$	Patents – AI \$	Brand \$	Intellectual Property \$	Strategic Distribution Agreement \$	Permits \$	Goodwill \$	Total \$
Half-year ended 31 December 2022									
Balance at the beginning of the half-year	149,916	-	409,989	-	-	-	-	-	559,905
Additions from internal development	-	-	-	-	-	-	-	-	-
Additions through business combinations (note 4)	-	-	-	1,999,681	16,780,418	1,369,797	819,646	20,180,302	41,149,844
Amortisation	(28,158)	-	(47,506)	(43,829)	(367,790)	(30,023)	(17,965)	-	(535,271)
Closing value at 31 December 2022	121,758	-	362,483	1,955,852	16,412,628	1,339,774	801,681	20,180,302	41,174,478
	Patents - Strax Fam's 1 to 5 \$	Patents - Regulatory Approvals \$	Patents – AI \$	Brand \$	Intellectual Property \$	Strategic Distribution Agreement \$	Permits \$	Goodwill \$	Total \$
Year ended 30 June 2022									
Balance at the beginning of the half-year	163,900	10,948	352,720	-	-	-	-	-	527,568
Additions from internal development	61,377	-	142,758	-	-	-	-	-	204,135
Amortisation	(75,361)	(10,948)	(85,489)	-	-	-	-	-	(171,798)
Closing value at 30 June 2022	149,916	-	409,989	-	-	-	-	-	559,905

Goodwill was acquired as a result of business combinations entered into during the period, refer to note 4 for details.

CurveBeam AI Limited and its controlled entities

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Notes to the Consolidated Financial Statements For the Half-Year Ended 31 December 2022

11 Trade and Other Payables

	31 December 2022 \$	30 June 2022 \$
CURRENT		
Trade payables	2,800,138	92,353
Accruals	1,766,040	651,740
Sales tax payable	977,192	-
Payroll liabilities	504,495	87,232
Other liabilities	95,941	-
	6,143,806	831,325

12 Contract Liabilities

	31 December 2022 \$	30 June 2022 \$
CURRENT		
Contract liabilities ^(a)	4,729,333	-
	4,729,333	-

- a) Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods (e.g. installed the machines) or services (e.g. provided warranty services) to the customer.

Movement in Contract Liabilities

	31 December 2022 \$	30 June 2022 \$
Opening balance	-	-
Balance acquired on acquisition of subsidiary	6,228,896	-
Release of revenue recognised in period	(2,870,092)	-
Additional deposits received in period	2,807,334	-
Effects of FX and elimination	(1,436,805)	-
Closing balance	4,729,333	-

CurveBeam AI Limited and its controlled entities

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Notes to the Consolidated Financial Statements For the Half-Year Ended 31 December 2022

13 Borrowings

	31 December 2022 \$	30 June 2022 \$
NON-CURRENT		
Loan from related parties	13,301,258	-
	13,301,258	-

As at 31 December 2022, a subsidiary of the Group had a loan payable to Arun Singh, the COO of the Group, amounting to \$13,301,258.

The loan is not secured over any assets or property of the subsidiary. It is repayable by the subsidiary on 1 January 2027.

14 Other Financial Liabilities

	2021 Convertible Notes (1) \$	2022 Convertible Notes (2) \$	Total \$
Breakdown of convertible note value:			
Carrying value of financial liability host	12,157,067	8,161,835	20,318,902
Fair value of embedded derivative (liability)	6,909,933	2,521,169	9,431,102
Proceeds received but not yet issued	-	207,771	207,771
Capital Raising Costs	(795,802)	(707,111)	(1,502,913)
Interest on convertible notes	3,698,535	170,520	3,869,055
Gross financial liability as of 31 December 2022	21,969,733	10,354,184	32,323,917
Breakdown of convertible note value:			
Carrying value of financial liability host	12,157,067	-	12,157,067
Fair value of embedded derivative (liability)	6,909,933	-	6,909,933
Capital Raising Costs	(1,035,460)	-	(1,035,460)
Interest on convertible notes	2,166,327	-	2,166,327
Gross financial liability as of 30 June 2022	20,197,867	-	20,197,867

(1) 2021 Convertible Notes

The Convertible Note – Pre-IPO – 2021 relates to a capital raising completed in the 30 June 2022 financial year, refer to the June 2022 annual report for additional information on this financial instrument.

14 Other Financial Liabilities (continued)

CurveBeam AI Limited and its controlled entities

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Notes to the Consolidated Financial Statements For the Half-Year Ended 31 December 2022

(2) 2022 Convertible Notes

On 30 October 2022 the Company completed Tranche 1 of the 2022 Post-Merger Pre-IPO capital raising, by way of issue of the Convertible Notes – Pre IPO – 2022 (2022 Convertible Notes), under a Convertible Note Deed signed on 25 August 2021 for a total raising of \$10,701,000 (before costs).

Interest accrues on the 2022 Convertible Notes at 5% per annum compounded on a six-monthly basis and is capitalised to the loan value.

The 2022 Convertible Notes convert into fully paid ordinary shares in the capital of the Company upon either the occurrence of a trade sale or IPO.

In either scenario, the 2022 Convertible Notes will be automatically converted into ordinary shares at set rates, at the lower of either:

- the Relevant Percentage of 70% of the IPO or trade sale price (being a discount of 30%), or
- pre-IPO fully diluted pre money valuation of \$125m divided by the fully diluted pre money number of shares outstanding on date of issue.

The 2022 Convertible Note holders may also elect to convert into shares anytime prior to 60 days before maturity date.

The 2022 Convertible Notes can be redeemed for cash upon either a default event, or upon maturity, 36 months from completion.

Given the structure of the 2022 Convertible Notes, it was determined that in line with Australian Accounting Standards Board guidelines (AASB 9 Financial instruments ("AASB 9") and Financial Instruments: Presentation ("AASB 132")), the Convertible Notes are to be treated as liabilities with an embedded derivative component, which is also classified as a liability. As a part of this process, it was determined that the effective interest rate applicable to the convertible notes on a standalone basis would be 15%.

Key inputs and assumptions for fair value measurements

Significant inputs used in the fair value measurements of embedded derivatives include the share price, which was \$0.325 for both the 2021 and 2022 Convertible Notes, for both the June 2022 and December 2022 periods.

CurveBeam AI Limited and its controlled entities

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Notes to the Consolidated Financial Statements For the Half-Year Ended 31 December 2022

15 Issued Capital

	31 December 2022	30 June 2022
	\$	\$
66,882,954 (30 June 2022: 354,609) Ordinary shares	17,525,706	7,313,539
Total	17,525,706	7,313,539

(a) Ordinary shares

	31 December 2022	31 December 2022	30 June 2022	30 June 2022
	No.	\$	No	\$
At the beginning of the reporting period	354,609	7,313,539	347,133	7,031,485
Shares issued on 1-for-100 share split*	35,106,291	-	-	-
Shares issued on acquisition of business	27,840,700	9,048,228	-	-
Shares pending issue for acquisition of business**	3,581,354	1,163,939	-	-
Shares from options exercised	-	-	7,476	282,054
	66,882,954	17,525,706	354,609	7,313,539

* Following shareholder approval, on 30 September 2022 the Company split the shares held on a 1-for-100 basis.

** These shares were formally issued on 22 February 2023.

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

The Company does not have authorised capital or par value in respect of its shares.

16 Share-based payment reserves

	31 December 2022	30 June 2022
	\$	\$
Opening balance	355,582	425,711
Share-based payments during the year		
- Issue of new options or shares	265,501	206,898
- Expired or cancelled options or shares	(249,596)	-
Transfer of options exercised from reserves to issued capital	-	(197,702)
Transfer of expired options from reserves to accumulated losses	-	(79,325)
	371,487	355,582

This reserve records the cumulative value of employee service received for the issue of share options. When the option is exercised the amount in the share option reserve is transferred to share capital.

CurveBeam AI Limited and its controlled entities

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Notes to the Consolidated Financial Statements For the Half-Year Ended 31 December 2022

16 Share-based payment reserves (continued)

(a) Share based payment transactions during the period

On 30 September 2022 the options held were split on a 1-for-100 basis. There were no new options issued to any suppliers, senior managers or employees of CurveBeam AI Limited and its controlled entities during the December 2022 half-year (30 June 2022: Nil).

On 12 October 2022, following from shareholder approval for its Long Term Incentive Plan, the Company issued 2,880,000 Class A shares to senior managers and employees of CurveBeam AI Limited, under a loan funded share plan. Class A shares have no rights to vote.

The loans to acquire the shares are to be repaid by the repayment dates set out in the loan agreement. If the loan is not repaid by the repayment date, the Company will have recourse only to the cash proceeds received by the employee from a disposal of the loan funded shares and the distribution or after-tax amount in respect of a cash dividend received by the employee in respect of the loan funded shares.

Set out below are summaries of loan funded A class shares granted during the period.

Grant date	Repayment date	Issue price	Balance at start of the year	Granted	Exercised	Expired/forfeited/ other	Balance at the end of the year
06/10/2022	05/10/2027	\$ 0.3250	-	858,000	-	-	858,000
06/10/2022	05/10/2028	\$ 0.3250	-	286,000	-	-	286,000
06/10/2022	05/10/2029	\$ 0.3250	-	286,000	-	-	286,000
06/10/2022	05/10/2032	\$ 0.3250	-	1,450,000	-	-	1,450,000
			-	2,880,000	-	-	2,880,000

Below is a summary of the valuation model inputs used to determine fair value using a Black-Scholes model at the grant date:

Grant date	Expiry date	Share price at grant date	Vesting terms	Exercise price	Expected volatility	Dividend yield	Risk free interest rate	Fair value at grant date
06/10/2022	05/10/2027	\$ 0.3250	06/10/2022	\$ 0.3250	75%	0%	2.4%	\$ 0.202
06/10/2022	05/10/2027	\$ 0.3250	06/10/2023	\$ 0.3250	75%	0%	2.4%	\$ 0.315
06/10/2022	05/10/2027	\$ 0.3250	06/10/2024	\$ 0.3250	75%	0%	2.4%	\$ 0.325
06/10/2022	28/09/2032	\$ 0.3250	06/10/2023	\$ 0.3250	75%	0%	2.4%	\$ 0.257
06/10/2022	28/09/2032	\$ 0.3250	06/10/2024	\$ 0.3250	75%	0%	2.4%	\$ 0.323
06/10/2022	28/09/2032	\$ 0.3250	06/10/2024	\$ 0.3250	75%	0%	2.4%	\$ 0.325

CurveBeam AI Limited and its controlled entities

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Notes to the Consolidated Financial Statements For the Half-Year Ended 31 December 2022

16 Share-based payment reserves (continued)

(b) Movement during the period

The following table illustrates the movements in options and Class A shares during the half-year ended 31 December 2022:

Options

	31 December 2022 No.	30 June 2022 No.
Outstanding at the beginning of the period	29,487	37,576
Options split on a 1-for-100 basis	435,303	-
Exercised during the period	-	(7,476)
Forfeited during the period	(25,090)	(613)
Outstanding at the end of the period	439,700	29,487
Vested and exercisable	439,700	22,611

Class A Shares

	31 December 2022 No.	30 June 2022 No.
Granted during the year	2,880,000	-
Outstanding at the end of the period	2,880,000	-
Vested	858,000	-

17 Contingencies

In the opinion of the Directors, the Group did not have any contingencies at 31 December 2022 (30 June 2022: None).

18 Events Occurring After the Reporting Date

On 24 February 2023, the Company finalised Tranche 2 of the Pre-IPO capital raise, raising \$14,299,000 before costs, having accepted the maximum in oversubscriptions set for the capital raise.

On 21 March 2023, the Group entered into an agreement to acquire the CT device distribution rights from a German based distributor for a gross amount of €435,000.

No other matters or circumstances have arisen since the end of the half year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

CurveBeam AI Limited and its controlled entities

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Notes to the Consolidated Financial Statements For the Half-Year Ended 31 December 2022

19 Net Debt Reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	31 December 2022	31 December 2021
	\$	\$
Cash and cash equivalents	5,943,428	12,035,403
Borrowings (note 13)	(13,301,258)	(4,072)
Lease liabilities	(1,230,029)	-
Other financial liabilities (note 14)	(32,323,917)	(18,617,125)
Net debt	(40,911,776)	(6,585,794)

	Liabilities from financing activities			Other assets	
	Borrowings	Leases	Other financial liabilities	Sub-total	Cash at bank
	\$	\$	\$	\$	\$
31 December 2021					
Net debt as at 1 July 2021	(2,289,719)	-	-	(2,289,719)	202,399
Financing cash flows	345,085	-	(15,738,935)	(15,393,850)	11,833,004
Foreign exchange adjustments	(9,559)	-	137,838	128,279	-
Debt settled for shares	2,038,400	-	(2,038,400)	-	-
Other changes					
Interest expense	(88,279)	-	(977,628)	(1,065,907)	-
Net debt as at 31 December 2021	(4,072)	-	(18,617,125)	(18,621,197)	12,035,403

CurveBeam AI Limited and its controlled entities

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Notes to the Consolidated Financial Statements For the Half-Year Ended 31 December 2022

19 Net Debt Reconciliation (continued)

	Liabilities from financing activities				Other assets	
	Borrowings	Leases	Other financial liabilities	Sub-total	Cash at bank	Total
	\$	\$	\$	\$	\$	\$
31 December 2022						
Net debt as at 1 July 2022	(856,655)	-	(20,197,867)	(21,054,522)	8,698,649	(12,355,873)
Financing cash flows	863,342	45,598	(10,161,908)	(9,252,968)	(2,818,350)	(12,071,318)
Net debt acquired on acquisition of company	(14,377,309)	(457,686)	-	(14,834,995)	-	(14,834,995)
New leases	-	(822,274)	-	(822,274)	-	(822,274)
Foreign exchange adjustments	1,112,498	15,422	-	1,127,911	63,129	1,191,040
Portion of convertible note classified as equity	-	-	17,995	17,995	-	17,995
Other changes						
Interest expense	(82,979)	(11,089)	(1,982,137)	(2,076,205)	-	(2,076,205)
Interest payments (presented as operating cashflows)	39,854	-	-	39,854	-	39,854
Net debt as at 31 December 2022	(13,301,258)	(1,230,029)	(32,323,917)	(46,855,204)	5,943,428	(40,911,776)

20 Statutory Information

The registered office and principal place of business of the Company is:

CurveBeam AI Limited
Level 10, 10 Queen Street
Melbourne VIC 3000

CurveBeam AI Limited and its controlled entities

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Directors' Declaration

The directors of the Group declare that:

1. the consolidated financial statements and notes for the half-year ended 31 December 2022:
 - a. comply with Accounting Standards, which, as stated in basis of preparation Note 1 to the consolidated financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position and performance of the consolidated group;
2. In the directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable with the continuing support of creditors.

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

Director
Gregory Brown
Managing Director and CEO

Director
Robert Lilley
Non-Executive Chair

Dated this 3rd day of May 2023



Independent auditor's review report to the members of CurveBeam AI Limited (formerly StraxCorp Pty Ltd)

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of CurveBeam AI Limited (formerly StraxCorp Pty Ltd) (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of changes in equity, consolidated statement of cash flows and consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the accompanying half-year financial report of CurveBeam AI Limited (formerly StraxCorp Pty Ltd) does not present fairly, in all material respects, the Group's financial position as at 31 December 2022 and its financial performance and its cash flows for the half-year ended on that date, in accordance with the accounting policies as described in Note 2 to the financial statements.

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* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty relating to going concern

We draw attention to Note 3 in the half-year financial report, which indicates that the Group incurred a net loss of \$8,665,161 during the half-year ended 31 December 2022 and, as of that date, the Group's total liabilities exceed its total assets by \$7,357,448. As a result, the Group is dependent upon obtaining continued equity funding, including pursuing a potential listing, the conversion of convertible notes into shares upon listing and the successful commercial development of the Group's intangible assets. These conditions, along with other matters set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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Emphasis of matter - basis of accounting and restriction on use

We draw attention to Note 2 in the half-year financial report, which describes the basis of accounting. The half-year financial report has been prepared for internal purposes in connection with the proposed IPO. As a result, the half-year financial report may not be suitable for another purpose. Our report is intended solely for CurveBeam AI Limited (formerly StraxCorp Pty Ltd) and its members and should not be used by parties other than CurveBeam AI Limited (formerly StraxCorp Pty Ltd) and its members. Our conclusion is not modified in respect of this matter.

Responsibilities of management for the half-year financial report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with the accounting policies as described in Note 2 to the financial statements and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the half-year financial report does not present fairly, in all material respects, the financial position of the Group as at 31 December 2022 and of its financial performance and its cash flows for the half-year ended on that date in accordance with the accounting policies as described in Note 2 to the financial statements.

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.

A handwritten signature in dark ink, appearing to read 'PwC Securities Ltd', written in a cursive style.

PwC Securities Ltd

A handwritten signature in dark ink, appearing to read 'Paul Lewis', written in a cursive style.

Paul Lewis
Authorised Representative of PwC Securities Ltd

Melbourne
3 May 2023