



ABN 93 096 635 246

Appendix 4E

Preliminary final report


Information for ASX under listing rule 4.3A

For the year ended	30 June 2019
Previous corresponding period - year ended	30 June 2018

Results for announcement to the market

- Item 2.1 Revenue has increased from \$1,012,233 in FY18 to \$1,176,466 in FY19. An increase of 16.4%
- Item 2.2 Net loss after tax on ordinary activities has decreased from \$2,947,991 in FY18 to \$2,718,399 in FY19. An improvement of 7.8%
- Item 2.3 Net loss after tax attributable to members decreased from \$2,947,991 in FY18 to \$2,718,399 in FY19. An improvement of 7.8%
- Item 2.4 No dividends have been paid, declared or proposed in respect of the year ended 30 June 2019 (2018: nil)
- Item 2.6 Refer to the attached financial statements for explanation of figures in items 2.1 to 2.4
- Item 3 – 6 Statement of comprehensive income, financial position, cash flows, and changes in equity, together with notes to these financial statements are attached.
- Item 9 Net tangible assets per security as at 30 June 2019 is \$-0.001 (2018: \$-0.001)
- Item 10 During the period the Company incorporated a new subsidiary for the development of its medicinal cannabis activities. Please refer note 22 of the attached financial statements.
- (i) Name of entity: Incannex Pty Ltd
- (ii) Incorporation date: 13 November 2019
- Item 14 Refer to the Review of Operations commentary within the Directors' Report of the attached financial statements for a commentary on the results for the period.
- Item 15 The report is based on accounts which have been audited.
- Item 17 The independent audit report is not subject to any modified opinion, emphasis of matter or other matter paragraph.

Items 2.5, 7, 8, 11, 12, 13 and 16 of the Appendix 4e requirements are not applicable.



Glenn Fowles

Company Secretary

30 August 2019



ABN 93 096 635 246

Annual Financial Report

For the year ended 30 June 2019

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CORPORATE INFORMATION

Impression Healthcare Limited
A.B.N. 93 096 635 246

Directors

Mr Troy Valentine (Non-Executive Chairman)
Mr Peter Widdows (Non-Executive Director)
Dr Sud Agarwal (Non-Executive Director)
Mr Joel Latham (Managing Director)

Company Secretary

Glenn Fowles

Registered Office

13 Central Avenue
Moorabbin Victoria 3189
+61 (03) 9090 7993

Principal Place of Business

13 Central Avenue
Moorabbin Victoria 3189

Share Register

Security Transfer Registrars Pty Limited
770 Canning Highway
Applecross Western Australia 6153
1300 992 916

Auditors

HLB Mann Judd
Level 4, 130 Stirling Street
Perth Western Australia 6000

Securities Exchange Listing

ASX Limited (Australian Securities Exchange)
Home Exchange: Melbourne Victoria
ASX Codes: IHL & IHLOB

Chairman's Message

On behalf of the Board of Directors, I am pleased to present the Annual Report of Impression Healthcare Limited ("Impression" or "IHL") for the financial year ended 30 June 2019. The past year has laid the foundations for a robust business that is intended to generate long term value for shareholders through both the development of intellectual property assets and growth in sales.

In September of 2018, the Board and management of Impression recognised that the global market for medicinal cannabis was likely to continue its rapid growth whilst also experiencing further regulatory liberalisation. And, at that time, Impression made a strategic decision to pursue opportunities in the medicinal cannabis sector.

Through various initiatives undertaken by the Company, we now consider Impression to be a burgeoning leader in the development of cannabinoid medicines through Incannex™, our wholly-owned cannabinoid pharmaceuticals division. We're in the process of developing unique and clinically-validated cannabinoid medicines in four major, multi-billion dollar markets; sleep apnoea, concussion and traumatic brain disease, gum disease, and temporomandibular disorder.

In parallel with IHL's clinical trials being undertaken to create four proprietary, IP-defendable products, IHL under the Incannex™ brand, has also launched a line of EU GMP-approved pharmaceutical grade CBD oil products to treat conditions previously approved for treatment with cannabinoids under Special Access Scheme ('Incannex Oils'). Importantly, Impression has already received its relevant Government licenses to sell and buy wholesale cannabinoid substances. These Incannex Oils can be sold under Australia's largest distribution network – Cannvalate - on a non-exclusive basis.

On the topic of Cannvalate, we recently welcomed the Chairman and CEO of Cannvalate Pty Ltd, Dr Sud Agarwal, to the board of directors of IHL. Dr Agarwal's experience and industry knowledge in medicinal cannabis in Australia is second to none and his input has been invaluable to the development of our products and, soon to be, the sale of Incannex™ CBD oils under the TGA-governed Special Access Scheme, which is currently experiencing tremendous growth in patient numbers.

Although the loss for the year is similar to last year, we have invested a substantial amount of capital funding the entry into medicinal cannabis activities as well as one off cost items involved in restructuring the oral devices business.

During the year, Impression made significant progress with its foundation oral devices business. Sales growth has been pleasing, with the March 2019 quarter being a record quarter for sales since the inception of the Company. Significant focus has been given to reducing both operating expenses and overheads. Manufacturing has recently expanded to facilities in Shenzhen, China and multiple initiatives have been enacted to 'internationalise' the oral devices business to scale-up those operations.

We have also hit the ground running in the 2019 fiscal year, having raised over A\$1.7M in July and commenced two of our ground-breaking medicinal cannabis clinical trials. I thank my fellow Board members and the broader Impression team for their commitment and hard work over the past year. I would also like to thank our shareholders for your continued support, and we hope that you will continue this exciting journey with us.

Troy Valentine
Chairman

DIRECTORS' REPORT

Your directors submit the annual financial report of Impression Healthcare Limited ("IHL" or "**the Company**") and its wholly owned subsidiary ("**the Group**") for the financial year ended 30 June 2019 ("**Balance Date**"). In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

DIRECTORS

The names of directors who held office during or since the end of the year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities and other directorships

Mr Troy Valentine – Non-Executive Chairman

B. Comm

Appointed 11 December 2017

Troy Valentine has 25 years' experience in Stockbroking, Corporate Finance and Capital Markets. Originally from Perth he began with Hartley Poynton (now Hartley's Limited) in 1994 before moving to Patersons Securities (Perth) in 2000 and subsequently transferring to Patersons Melbourne where he became an Associate Director of Private Clients. During this time, he was responsible for managing both retail and institutional accounts. Mr Valentine has significant Corporate and Capital raising experience specifically with start-ups and small to mid-cap size companies.

He is currently a director of boutique Melbourne Corporate Advisory Alignment Capital Pty Ltd which he co-founded in 2014.

Mr Peter Widdows – Non-Executive Director

ACA (ICAEW), BTec, MAICD

Appointed 1 March 2018

Peter Widdows is the former Regional CEO of the H. J. Heinz corporation, with responsibility for a large portion of Asia and Australasia. He has extensive experience in Australian and international consumer goods markets and has worked as a senior executive/CEO in numerous geographies, including Europe, the USA and Asia/Pacific. Mr Widdows has a strong track record of driving profitable growth in both small and large companies and turning around poor performing businesses. He is also a director of UK unlisted company, Tile Master Global Ltd.

Dr Sud Agarwal – Non Executive Director

BSc(Hons), MB ChB, FANZCA

Appointed 24 July 2019

Dr Sud Agarwal is an internationally recognised key opinion leader in the clinical use of medicinal cannabis and is regularly invited as a keynote to key industry and pharmaceutical events including the World Cannabis Conference and the Australian Medicinal Cannabis Conference. Dr Agarwal received his medical qualifications in the United Kingdom before immigrating to Australia in 2001. He has since commercialised, scaled and successfully exited three healthcare businesses and has a track record for seeing business opportunities at their earliest stage, and building high performing teams. He was also recently appointed as chief medical officer and chairman of the Company's Medical Advisory Board. Dr Agarwal's appointment will support Impression Healthcare's focus on streamlining current and future medicinal cannabis clinical trials along with product commercialisation strategies, including investor and stakeholder relations. He also serves as CEO/ Chairman of Cannvalate which is a pre-IPO Medicinal Cannabis company which is Australia's main product distribution and cannabinoid research company.

Mr Joel Latham – Executive Director – Chief Executive Officer

Appointed 24 July 2019

Joel Latham has over 13 years' experience, with blue chip firms including Mars Foods, Tabcorp and Philip Morris International. Prior to his appointment to CEO in July 2018, Mr Latham was a key member of the senior leadership team of Impression healthcare for a period of 3 years. During this time, he was instrumental in the marketing and procurement of multiple revenue-generating opportunities and partnerships, including with Pacific Smiles (ASX:PSQ), 1300 Smiles (ASX: ONT), the NRL, the AFL, ONE Fighting Championship, FIT Technologies and Cannvalate. Additionally, Mr Latham was pivotal in the development and execution of Impression's newly established strategy.

Alistair Blake – Executive Director

Resigned 24 July 2019

Matthew Weston – Executive Director

Resigned 19 July 2018

COMPANY SECRETARY

Glenn Fowles

Appointed 7 December 2017

Glenn has over 30 years' experience working with listed companies having worked for HSBC Asset Management and Contango Asset Management in the funds management industry. He has held positions of Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Company Secretary within these organisations as well as serving as a Director and Company Secretary of a number of companies listed on ASX.

DIRECTORS' MEETINGS

The number of meetings of Directors held during the year, and the number of meetings attended by each director was as follows:

Name	Number of meetings eligible to attend	Number of meetings attended
Troy Valentine	20	20
Peter Widdows	20	20
Sud Agarwal	0	0
Joel Latham	0	0
Alistair Blake	20	20

PRINCIPAL ACTIVITIES

The principal activities of the Company during the course of the financial year are manufacturer and distributor of professionally made home-impression custom-fit dental products.

REVIEW OF OPERATIONS

Operating result for the year

The Group's loss for the year to 30 June 2019 after income tax was \$2,718,399 (2018: Loss of \$2,947,991).

Receipt of 2017/18 R&D Claim

Following the completion and submission of the required documentation for FY2017, the Company received a cash refund of \$151,323 (2018: \$263,279) during the March 2019 quarter under the Federal

Government's Research and Development (R&D) Tax Incentive Scheme. Under the scheme, the Company was entitled to a cash refund of 45 cents per dollar spent on eligible R&D expenditure. The Company's claim predominantly related to costs incurred in relation to its continued development of self-fitting custom dental systems and processes around these.

Board and management changes

- 1-Jul-2018 Mr Joel Latham was appointed as CEO following the resignation of Mr Matthew Weston who resigned as CEO on 29 June 2018. Mr Weston ceased all activities with the Company including that of Executive Director on 19 July 2018.
- 24-Jul-2019 Mr Sud Agarwal was appointed to the Board of Directors as a Non-executive Director. Mr Joel Latham was appointed to the Board of Directors as the group Managing Director.
Mr Alistair Blake resigned as a Non-executive Director.

Business activities and outlook

Oral Devices

The Company's oral devices business experienced significant growth both 'Business to Customer' and through the 'Business to Business' Preferred Practitioner Network of Dentists to which the Company supplies a range of devices. Subsequent to the end of the financial year, The Company implemented multiple initiatives to expand the oral devices business in offshore jurisdictions, facilitated by progressively shifting manufacturing operations to new facilities in Shenzhen, China. Marketing relationships with major sporting bodies including the AFL, NRL and ONE Championship underpin promotional efforts in relation to the Company's wholly owned Gameday Mouthguard brand.

The Company executed a binding exclusive license and supply agreement with Force Impact Technologies, Inc ('Force') for the commercial supply of the FiTGuard technology suite, which includes: (1) the FiTGuard custom-fitted 'smart' mouthguard that measures and displays cranial acceleration. (2) the FiTApp which tracks impact history and provides the athlete with cognitive performance exams. (3) the FiTCloud which is the back-end data storage and athlete performance modelling.

The Company will arrange the customised fitting of the mouthguards for distribution to customers throughout Australia, New Zealand, South East Asia, India, China and other selected regions/countries representing approximately 50% of the World's population.

The FiT products allow athletes, coaches, parents and/or medical staff to monitor the impacts that athletes receive during training or play. The system facilitates rapid decision-making in any sporting code where head impact, concussion and second-impact syndrome is a continual risk. Players are taken off the field when a "knock" is sufficiently impactful to indicate at least a 50% chance of a player experiencing a concussion.

Subsequent to completing the agreement with Force, the Company executed an agreement to become both official Traumatic Brain Injury research partner and mouthguard partner of Boxing Australia ('BA'). The Company will supply BA with the FiTGuard 'by Gameday' head impact monitoring platform, which will be used during training and competition by key elite Australian boxing athletes. The agreement extends until June 2023 and the first delivery of FiTGuard units for year one of the agreement will be provided to the team of Olympic qualifiers for the 2020 Tokyo Olympic Games. The FiTGuard system will allow the sport's administrators to use a new set of data to further monitor the safety and performance of elite Australian boxers.

The agreement represents a significant brand-building and marketing opportunity for the Company, which has a growing oral devices business and a planned clinical trial for the use of pure Cannabidiol (CBD) oil to investigate the remediation of concussion and traumatic brain injury in sportspeople; scheduled to commence in Q3 of CY2019.

Medicinal Cannabis – a new business development

Medicinal cannabis continues to generate great interest from researchers, physicians and patients throughout the world. Increasing recognition of cannabis and its potential uses in medicine continues to attract growing commercial interest following a major positive shift in public perception for the use of medicinal cannabis. This shift is reflected by the increasing trend for many countries to legalise and regulate its use for the treatment of numerous disease and conditions.

The Company has made significant progress in its medicinal cannabis activities, establishing a clinical research programme, coupled with numerous collaborations with internationally recognised researchers, suppliers and distributors.

Some highlights from the progress made during the year include:

- Cannabinoid Human Clinical Trial Programme

In March of 2019, the Company entered into a comprehensive agreement with Cannvalate Pty Ltd ('Cannvalate') to develop four unique medicinal cannabis products for the treatment of sleep apnoea, concussion and traumatic brain disease, gum disease, and temporomandibular joint disorder. All clinical trials are being conducted through the Medicinal Cannabis Research Collaboration (MCRC), which is a collaboration between Cannvalate and the Swinburne University of Technology. Two of four of the clinical trials have formally commenced.

Successful Phase 2A clinical trials will lay the foundational data for the sale of the products resulting from trials under the TGA Special Access Scheme and will also provide the groundwork for future clinical trials in the pursuit of full product registration.

- Sleep Apnoea Clinical Trial

The Company successfully registered its phase 2A clinical trial to investigate the efficacy of its unique IHL-42X medicinal cannabis formulation on obstructive sleep apnoea compared to a placebo; with secondary outcome measures focused on sleep quality and patient mood. The completed trial protocol has been registered on the Australian and New Zealand Clinical Trials Registry ('ANZCTR'). The Company will now formalise approval for the trial from the Human Research Ethics Committee ('HREC'), and other approvals as necessary, prior to patient recruitment and dosing; with updates to the ASX at key junctures.

Patient recruitment is expected to commence in late September/early October. The trial is considered a phase 2A randomised controlled clinical trial designed to investigate the effects of 'nocturnal' IHL-42X on the apnoea hypopnea index ('AHI') among 30 participants over a 6-week period. In addition to close examination of the effect of IHL-42X on the AHI, a total of 36 secondary outcomes will also be measured, focused on sleep quality, using the Epworth Sleepiness Scale and Insomnia Severity Index, and patient mood, as measured by the long-established Beck Anxiety Inventory and Beck Depression Inventory. Safety of IHL-42X will be measured by the number and type of adverse events reported by trial participants. It is hypothesised that the active treatment will reduce AHI, improve mood and improve well-being following the completion of the trial.

- Gingivitis and Periodontitis Clinical Trial

The Company has successfully registered its phase 2A clinical trial designed to investigate the effects of its formulations of toothpaste and mouthwash containing Cannabidiol on Gingivitis and Periodontitis, otherwise known as Gum Disease or Periodontal Disease, compared to a placebo. The completed trial protocol has been submitted to and registered on the Australian and New Zealand Clinical Trials Registry ('ANZCTR'). The Company is awaiting approval for the trial from the Human Research Ethics Committee ('HREC') prior to patient recruitment and dosing. The Company anticipates that it will receive HREC approval soon, after which it will commence patient recruitment. The trial will include 40 participants using toothpaste and mouthwash three times daily over a period of 30 days. Gum inflammation will initially be induced within the cohort and then monitored. Overall gum health will be measured using the gingivitis bleeding index after 5 days of treatment and then again after 30 days. Safety of the products will be measured by the number and type of adverse events reported by trial participants.

- Concussion/Traumatic Brain Injury Clinical Trial

The World Anti-Doping Authority (WADA) and the Australian Sports Anti-Doping Authority (ASADA) have recently confirmed that THC-Free CBD is not illegal for consumption by elite sportspeople. CBD is known to be a neuroprotective agent and prevents secondary neurological damage after traumatic brain injury (TBI) through a variety of anti-inflammatory mechanisms.

Concussion in sport has been well publicised with long term neurologically problems in high profile individuals being attributed to concussions received in professional sports. The Company is in the process of finalising the clinical trial protocol to examine reduction of the radiological and

neurocognitive stigmata after serious head injury as compared to a placebo. This will be a unique study and one of the first of its kind. 30 participants who have had a career in a contact sports will be commenced on twice-daily novel cannabinoid drug formulations and have a brain MRI and neuro-cognitive scoring performed weekly for 8 weeks.

○ Temporomandibular Joint Disorder Clinical Trial

The Company is progressing a clinical trial to examine the benefits of a unique formulation of novel cannabinoid drug formulations for reducing the severity of Temporomandibular Joint Disorder (TMJ), as compared to placebo. Severe TMJ is highly detrimental to patient quality of life, because the symptoms can be chronic and difficult to manage.

30 participants identified as having severe TMJ (Grade 3) will be commenced on a unique formulation of twice-daily novel cannabinoid drug formulations and have their TMJ grading re-measured weekly. In addition, a weekly log of related symptoms and dental pain will be kept for all patients. The Company is in the process of finalising the clinical trial protocol and other administrative matters.

● Receipt from Medical Licenses from the Department of Health

In January of 2019, the Company received the relevant licenses from the Department of Health, Victoria to sell or supply, by wholesale, scheduled cannabinoid substances throughout Australia. Specifically, the licenses include; Cannabis, Cannabidiol (CBD), Tetrahydrocannabinols (THC) and Dronabinol. The Company has arrangements with 3rd party suppliers where necessary to facilitate secure product handling and distribution as per the necessary processes for patient distribution of scheduled cannabinoid medicines. Having the licenses in place facilitates all aspects of the Company's medicinal cannabis activities, including sales of cannabinoid medicines throughout Australia, where the law permits, under the Special Access Scheme and through the Authorised Prescriber Network, and import and export of cannabinoid medicines to and from Australia.

● Sales Collaboration with Cannvalate Pty Ltd

The Company has a full-service wholesale purchase and distribution agreement for the sale of cannabis medicines into Cannvalate's growing network of medical professionals. Cannvalate boasts Australia's largest network of medicinal cannabis prescribing clinics spanning all states of Australia and accounts for approximately 40% of all medicinal cannabis prescriptions in Australia. The CEO and cofounder, Dr. Sud Agarwal, is a specialist anaesthesiologist and the former medical director of Cann Group Limited (ASX: CAN). Dr. Sud Agarwal also became chief medical officer and a non-executive director of the Company, subsequent to the end of the financial year on the 25th of July 2019.

● Incannex Pharmaceuticals™ by the Company Secures Long Term Medicinal Cannabis Oil Supply

Subsequent to the end of the year and in parallel with the Company's clinical trials being undertaken to create four IP-defendable products the Company, under the Incannex™ brand, has also launched a line of EU GMP-approved pharmaceutical grade CBD oil products to treat conditions previously approved for treatment with cannabinoids under Special Access Scheme ('Incannex™ Oils').

The Incannex™ Oils will be sold under Australia's largest distribution network - Cannvalate - on a non-exclusive basis. Incannex™ will purchase up to 2000, 50ml bottles of Incannex™ Oils over the remainder of the 2019 calendar year; increasing over an initial 5-year term of the contract until 2024. The Incannex™ oils have been designed to match the formulations most in demand on the Cannvalate network, which receives over 100 new patient enquiries per day.

The TGA Special Access Scheme Category B sales for medicinal cannabis products have increased 229% from 670 approvals in January of 2019 to 2206 approvals in July of 2019. Incannex™ under the stewardship of Dr Sud Agarwal, has adopted a commercial strategy to acquire 1000 patients by the end of 2019 which would make it one of the largest Licensed Cannabis Companies in Australia by patient numbers.

● Collaboration with AXIM Biotechnologies Inc.

The Company formalised a 3-year first right of refusal over all AXIM's current and future products, further enhancing the collaboration between AXIM and the Company. The agreement may also

serve as a template for additional products from AXIM to be introduced into the Australian and New Zealand markets by the Company.

Headquartered in New York, NY, AXIM is focused on research, development and production of pharmaceutical, nutraceutical, cosmetic and oral health products incorporating cannabinoids. AXIM has established a full chain of production, including extraction, purification, conversion and microencapsulation. It possesses its own proprietary formulations over a range of unique products as a first mover in the medical cannabinoid field.

- **Exclusive License Agreement with Resolution Chemicals Limited**

The Company also executed an exclusive license agreement with Resolution Chemicals Limited ('ResoChem') to support the production, registration and commercialisation of generic Dronabinol (pure delta-9 Tetrahydrocannabinol ('THC')) capsules in the USA, Canada, Australia and New Zealand ('the countries'). Dronabinol was the first ever cannabinoid medicine permitted for patient use by the DEA in the United States and a synthetic Dronabinol has been marketed under the trade name Marinol® since in 1986. Any patents over Marinol have since expired. Abbvie Inc. (NYSE:ABBV), which is a recognised as a top-10 global pharmaceutical company by revenue, currently markets Marinol®. ResoChem has granted the Company the rights to all Intellectual Property ('IP') associated with the production of a complete non-synthetic Dronabinol product to assist with commercialisation in the exclusive countries.

DIRECTORS' INTERESTS IN THE COMPANY

As at the date of this report, the interests of the directors in the shares and options of the Company were:

Director	Number of fully paid ordinary shares	Number of options over ordinary shares	No. of performance rights/shares
Troy Valentine	19,900,914	48,355,557	2,762,538
Peter Widdows	12,282,456	3,957,895	1,833,334
Sud Agarwal	0	20,000,000	0
Joel Latham	10,245,795	4,437,500	6,000,000

DIVIDENDS

No dividends have been paid or declared since the start of the financial year and the directors do not recommend the payment of a dividend in respect of the financial year.

AFTER BALANCE DATE EVENTS

Events occurring after 30 June 2019 are disclosed in detail in Note 23.

SHARE OPTIONS

The Company has the following options on issue as at the date of the Directors' Report.

Expiry Date	Exercise Price	Listed/Unlisted	Number
30 September 2020	\$0.04	Listed – "IHLOB"	262,360,728
01 January 2020	\$0.02	Unlisted	10,000,000
01 May 2020	\$0.03	Unlisted	10,000,000
30 September 2021	\$0.08	Unlisted	55,368,422

Unissued Shares under Option

As at the date of this report, there were 337,729,150 unissued ordinary shares under options (2018: 156,758,892).

Option holders do not have any right, by virtue of the options, to participate in any share issue of the Company or any related body corporate.

Shares issued as a result of the exercise of options

During the financial year there were no ordinary shares issued as a result of the exercise of any options (2018: Nil).

Since balance date 600,000 IHLOB options have exercised at a price of \$0.04 each providing \$24,000 of additional equity capital.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Indemnification

The Company has agreed to indemnify the directors of the Company, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Insurance premiums

The Company has arranged directors' and officers' liability insurance, for past, present or future directors, secretaries, and executive officers. The insurance cover relates to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The insurance policies outlined above do not contain details of the premiums paid in respect of individual directors or officers of the Company.

REMUNERATION REPORT (AUDITED)

This report, which forms part of the Directors' report, outlines the remuneration arrangements in place for the key management personnel of Impression Healthcare Limited (the "Company") for the financial year ended 30 June 2019.

The key management personnel of the Company are the Directors of the Company and the Managing Director/Chief Executive Officer.

Remuneration philosophy

The performance of the Company depends upon the quality of the directors and executives. The philosophy of the Company in determining remuneration levels is to:

- set competitive remuneration packages to attract and retain high calibre employees;
- link executive rewards to shareholder value creation; and
- establish appropriate, demanding performance hurdles for variable executive remuneration.

Remuneration Structure

In accordance with best practice Corporate Governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-executive director remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders. The amount of aggregate remuneration apportioned amongst directors is reviewed annually. The Board considers the fees paid to non-executive directors of comparable companies when

undertaking the annual review process. Independent advice is obtained when considered necessary to confirm that remuneration is in line with market practice.

Each director receives a fee for being a director of the Company. Non-executive directors may receive performance rights (subject to shareholder approval) as it is considered an appropriate method of providing sufficient reward whilst maintaining cash reserves.

Executive director remuneration

Remuneration consists of fixed remuneration and variable remuneration (comprising short-term and long-term incentive schemes).

Fixed Remuneration

Fixed remuneration is reviewed annually by the Board. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Board has access to external, independent advice where necessary.

The fixed remuneration component of key management personnel is detailed in Tables 1 and 2.

Variable Remuneration

The objective of the short-term incentive program is to link the achievement of the Group's operational targets with the remuneration received by the KMP charged with meeting those targets. The total potential short-term incentive available is set at a level so as to provide sufficient incentive to the KMP to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

Actual payments granted to each KMP depend on the extent to which specific operating targets set at the beginning of the financial year are met. No short-term incentive remuneration was paid during the financial year ended 30 June 2019.

The Company also makes long term incentive payments to reward senior executives in a manner that aligns this element of remuneration with the creation of shareholder wealth. The long-term incentive is provided in the form of performance rights and options over ordinary shares in the Company.

Employee Share Option Plan (ESOP)

The Impression Healthcare Limited ESOP provides for the directors to set aside shares in order to reward and incentivise employees. Directors will not set aside more than 5% of the total number of issued shares in the Company at the time of the proposed issue. Officers and employees both full and part-time are eligible to participate in the plan.

Performance Rights Plan (PRP)

Shareholders approved the Company's PRP at the Annual General Meeting held on 23 November 2011. The PRP is designed to provide a framework for competitive and appropriate remuneration so as to retain and motivate skilled and qualified personnel whose personal rewards are aligned with the achievement of the Company's growth and strategic objectives.

Executive Employment Contracts

For the year ended 30 June 2019, Mr Joel Latham, was appointed as Chief Executive Officer under an employment agreement. The material terms of the agreement are set out as follows:

- Commencement date: 1 July 2018
- Term: No fixed term
- Fixed remuneration: \$183,750 per annum inclusive of superannuation and vehicle allowance
- Variable remuneration up to 50% of base salary subject to achieving certain performance hurdles
- Grant of 8,000,000 Performance Rights which vest on achieving certain financial criteria
- Termination for cause: no notice period
- Termination without cause: three-month notice period

Table 1: Remuneration of key management personnel (KMP) for the year ended 30 June 2019

	Short-term (cash-based payments)			Long-term (share based payments)	Post-employment	Total \$	Performance Related %
	Salary & fees \$	Bonus \$	Other \$	Performance Rights \$	Superannuation \$		
Key Management Personnel name							
Troy Valentine ¹	30,000	-	-	6,297	-	36,297	-
Peter Widdows ²	30,000	-	-	6,297	-	36,297	-
Joel Latham ³	169,980	-	-	20,149	14,344	204,473	-
Alistair Blake ⁴	217,949	-	-	10,075	-	228,124	-
Total	447,929	-	-	42,818	14,344	505,091	-

- 1) Mr Valentine was appointed as a director on 11 December 2017. Remuneration owed to Mr Valentine at 30 June 2019 is \$2,500 included in accrued expenses.
- 2) Mr Widdows was appointed as a director on 1 March 2018. Remuneration owed to Mr Widdows at 30 June 2019 is \$22,500 - \$5,000 is included in accrued expenses and \$17,500 is included in trade payables.
- 3) Mr Latham accepted the position as CEO on 29 June 2018, previously occupying the position of General Manager and was appointed as Managing Director on 24 July 2019. Remuneration owed to Mr Latham at 30 June 2019 is \$24,641 included in accrued expenses and leave entitlements.
- 4) Fees were paid to Alistair Pty Ltd, an entity in which Mr Blake is a director. The amount outstanding to Alistair Pty Ltd at 30 June 2019 for remuneration payments was \$25,332 included in trade payables.

Table 2: Remuneration of key management personnel (KMP) for the year ended 30 June 2018

	Short-term (cash-based payments)			Long-term (share based payments)	Post-employment	Total \$	Performance Related %
	Salary & fees \$	Bonus \$	Other \$	Performance Rights \$	Superannuation \$		
Key Management Personnel name							
Troy Valentine ¹	17,500	-	-	-	-	17,500	-
Peter Widdows ²	10,000	-	-	-	-	10,000	-
Alistair Blake ³	181,173	-	-	-	-	181,173	-
Joel Latham ⁴	121,316	30,000	-	-	10,575	161,891	-
Kelvin Smith ⁵	30,000	-	-	-	-	30,000	-
John Worsfold ⁶	15,000	-	-	-	-	15,000	-
Adam Wellisch ⁷	60,000	-	18,000	-	-	78,000	-
Matthew Weston ⁸	269,063	-	44,000	-	17,178	330,241	-
Total	704,152	30,000	62,000	-	27,753	823,805	-

1. Mr Valentine was appointed as a director on 11 December 2017. Remuneration owed to Mr Valentine at 30 June 2018 was \$17,500 included in accrued expenses.
2. Mr Widdows was appointed as a director on 1 March 2018. Remuneration owed to Mr Widdows at 30 June 2018 was \$10,000 included in accrued expenses.
3. Fees were paid to Alistair Pty Ltd, an entity in which Mr Blake is a director. Remuneration owed to Alistair Pty Ltd at 30 June 2018 was \$33,846 included in trade payables.
4. Mr Latham accepted the position as CEO on 29 June 2018, previously occupying the position of General Manager. Mr Latham was awarded a cash bonus for FY18 as part of his performance evaluation. Remuneration owed to Mr Latham at 30 June 2018 was \$30,000 included in accrued expenses.
5. Fees were paid to MVP Financial Pty Ltd, an entity in which Mr Smith is a director. Mr Smith resigned as a director of the Company on 11 December 2017.
6. Fees were paid to John Worsfold Marketing Trust. Mr Worsfold resigned as a director of the Company on 11 December 2017.
7. Fees were paid to K. Wellisch & Associates Pty Ltd, an entity in which Mr Wellisch is a director. Mr Wellisch resigned as a director of the Company on 8 May 2018.
8. \$203,063 of salary and \$17,178 of superannuation was paid to Mr Weston during the year. Directors' fees of \$66,000 were paid to Zhuhai Consulting Pty Ltd, an entity in which Mr Weston is a director. The amount outstanding to Zhuhai Consulting Pty Ltd on 30 June 2018 was \$44,000 included in trade payables. Mr Weston resigned as CEO on 29 June 2018 and ceased all activities with the Company including being a director on 19 July 2018.

Performance rights

Each performance right is convertible into one ordinary share upon achievement of the performance hurdles. No performance right will vest if the conditions are not satisfied, hence the minimum value of the performance rights yet to vest is nil.

The assessed fair value at grant date of performance rights granted is expensed according to the performance or market-based conditions attached to the performance hurdle. Performance based hurdles are expensed to each reporting period evenly over the period from grant date to vesting date. Market based hurdles are expensed on the grant date. The relevant amount is included in the remuneration table (Table 1) above. Fair values at grant date are independently determined using binomial pricing model that takes into account the exercise price, term, the share price at grant date and expected price volatility of the underlying share, barrier price / performance hurdles, the expected dividend yield and the risk-free interest rate. For details on the valuation of performance rights, including assumptions used, refer to note 10.

Performance rights granted to KMP for the year ended 30 June 2019

At the Company's Annual General meeting held on 22 November 2018, shareholders approved the grant of 17,000,000 performance rights to Key Management Personnel as follows:

Key Management Personnel Name	Performance Rights granted
Troy Valentine	2,500,000
Peter Widdows	2,500,000
Joel Latham	8,000,000
Alistair Blake	4,000,000

Performance rights granted to KMP for the year ended 30 June 2018

There were no performance rights granted as part of remuneration for the year ended 30 June 2018.

Key Management Personnel – Performance Rights and Performance Share Holdings

The number of performance rights and performance shares held by Key Management Personnel of the Group during the financial year is as follows:

30 June 2019 – Performance Rights

Name	Balance at 1 July 2018	Granted by the Company	Expired	Converted to Ordinary shares	Balance at 30 June 2019
Troy Valentine	-	2,500,000	-	(666,666)	1,833,334
Peter Widdows	-	2,500,000	-	(666,666)	1,833,334
Joel Latham	-	8,000,000	-	(2,000,000)	6,000,000
Alistair Blake	-	4,000,000	-	(1,000,000)	3,000,000
Matthew Weston	735,021	-	(735,021)	-	-

30 June 2018 – Performance Rights

Name	Held at 1 July 2017	Granted by the Company	Expired	Balance at 30 June 2018
Troy Valentine	-	-	-	-
Peter Widdows	-	-	-	-
Joel Latham	-	-	-	-
Alistair Blake	-	-	-	-
Matthew Weston	2,205,063	-	(1,470,042)	735,021

Refer to notes tables 1 and 2 on pages 12 and 13 for details of appointment and resignation dates and terms applicable to Performance Rights.

30 June 2019 - Performance Shares

Name	Balance at 1 July 2018 (or on appointment)	Other changes during the period	Balance at 30 June 2019 (or on cessation)
Troy Valentine	1,858,408	(929,204)	929,204
Peter Widdows	-	-	-
Joel Latham	-	-	-
Alistair Blake	13,805,310	(6,902,655)	6,902,655
Matthew Weston	-	-	-

30 June 2018 – Performance Shares

Name	Balance at 1 July 2017 (or on appointment)	Other changes during the period	Balance at 30 June 2018 (or on cessation)
Troy Valentine	1,858,408	-	1,858,408
Peter Widdows	-	-	-
Joel Latham	-	-	-
Alistair Blake	13,805,310	-	13,805,310
Kelvin Smith	1,592,920	-	1,592,920
John Worsfold	1,592,920	-	1,592,920
Adam Wellisch	-	-	-
Matthew Weston	-	-	-

Refer to notes in tables 1 and 2 on pages 12 and 13 for details of appointment and resignation dates.

Key Management Personnel – Option Holdings

The number of options held by Key Management Personnel of the Group during the financial year is as follows:

30 June 2019

Name	Balance at 1 July 2018	Other changes during the period	Balance at 30 June 2019 (or on cessation)	Exercisable
Troy Valentine	37,462,149	3,776,458	41,238,607	41,238,607
Peter Widdows	-	3,300,000	3,300,000	3,300,000
Joel Latham	787,500	3,450,000	4,237,500	4,237,500
Alistair Blake	555,184	3,300,000	3,855,184	3,855,184
Matthew Weston	-	-	-	-

30 June 2018

Name	Balance at 1 July 2017 (or on appointment)	Other changes during the period	Balance at 30 June 2018 (or on cessation)	Exercisable
Troy Valentine	37,462,149	-	37,462,149	37,462,149
Peter Widdows	-	-	-	-
Joel Latham	787,500	-	-	787,500
Alistair Blake	-	555,184	555,184	555,184
Kelvin Smith	46,875	428,750	475,625	475,625
John Worsfold	-	500,000	500,000	500,000
Adam Wellisch	-	-	-	-
Matthew Weston	-	-	-	-

Refer to notes in tables 1 and 2 on pages 12 and 13 for details of appointment and resignation dates.

Key Management Personnel – Shareholdings

The number of ordinary shares in Impression Healthcare Limited held by each KMP of the Group during the financial year is as follows:

30 June 2019

Name	Balance held at 1 July 2018 (or on appointment)	Purchases / Other Acquisitions	Sales / Other Disposals	Balance held at 30 June 2019 (or on cessation)
Troy Valentine	19,234,248	666,666	-	19,900,914
Peter Widdows	-	10,966,666	-	10,966,666
Joel Latham	1,395,795	8,450,000	-	9,845,795
Alistair Blake	15,923,182	5,359,336	-	21,282,518
Matthew Weston	-	-	-	-

30 June 2018

Name	Balance held at 1 July 2017 (or on appointment)	Purchases / Other Acquisitions	Sales / Other Disposals	Balance held at 30 June 2018 (or on cessation)
Troy Valentine	19,234,248	-	-	19,234,248
Peter Widdows	-	-	-	-
Joel Latham	1,395,795	-	-	1,395,795
Alistair Blake	15,332,998	590,000	-	15,923,182
Kelvin Smith	1,999,712	612,500	-	2,612,212
John Worsfold	1,752,212	500,000	-	2,252,212
Adam Wellisch	-	-	-	-
Matthew Weston	-	-	-	-

Refer to notes in tables 1 and 2 on pages 12 and 13 for details of appointment and resignation dates.

Other Key Management Personnel Transactions

There have been no transactions involving equity instruments other than those described in the above tables. Other transactions with key management personnel during the financial year and not disclosed above are noted below:

For the year ended 30 June 2019, \$115,864 (2018: \$72,680) in fees were paid to Alignment Capital Pty Ltd (“Alignment”), an entity in which Mr Valentine is a director. Alignment was engaged by the Company to act as lead manager in capital raisings conducted during the year.

END OF REMUNERATION REPORT

Non-Audit Services

The Company has not engaged the auditor to perform any non-audit services during the year ended 30 June 2019 (2018: \$Nil). Details of amounts paid to the auditor for non-audit services provided during FY18 are outlined in Note 17 to the financial statements. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporation Act 2001.

The Directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the impartiality and objectivity and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110: Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standard Board.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 18 and forms part of this directors' report for the year ended 30 June 2019.

Signed in accordance with a resolution of the directors.



Troy Valentine
Chairman
Melbourne, Victoria, 30 August 2019

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Impression Healthcare Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.



Perth, Western Australia
30 August 2019

N G Neill
Partner

hlb.com.au

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849

T: +61 (0)8 9227 7500 **E:** mailbox@hlbwa.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2019

		Consolidated	
		2019	2018
	Notes	\$	\$
Sales	2	1,178,466	1,012,233
Cost of Sales		(582,209)	(524,079)
		596,257	488,154
Interest income	2	1,633	2,590
Other income	2	1,800	17,044
Administration expense		(687,927)	(774,761)
Advertising and promotion		(704,856)	(1,217,888)
New business development costs	25	(736,140)	-
Compliance, legal and regulatory		(99,424)	(168,533)
Amortisation & depreciation expense		(41,886)	(54,627)
Finance cost		(85,065)	(12,884)
Share based payments		(47,854)	(68,806)
Occupancy expenses		(155,349)	(213,172)
Salaries and employee benefit expense		(910,911)	(1,208,387)
Loss before income tax		(2,869,722)	(3,211,270)
Income tax benefit	3	151,323	263,279
Loss after tax		(2,718,399)	(2,947,991)
Other comprehensive income		-	-
Total comprehensive loss for the year		(2,718,399)	(2,947,991)
Basic loss per share (cents per share)	5	(0.61)	(1.29)

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

		Consolidated	
		2019	2018
	Notes	\$	\$
Assets			
Current assets			
Cash and cash equivalents	6	93,332	228,406
Trade and other receivables	7	97,784	54,103
Other assets	9	39,191	33,533
Inventory	11	152,804	223,071
Total current assets		383,111	539,113
Non-current assets			
Intangible assets	12	49,377	71,066
Property, plant and equipment	8	85,423	97,678
Total non-current assets		134,800	168,744
Total assets		517,911	707,857
Liabilities			
Current liabilities			
Trade and other payables	13	478,820	709,967
Borrowings	14	65,000	200,000
Other liabilities	15	391,271	181,208
Total current liabilities		935,091	1,091,175
Non-current liabilities			
Borrowings	14	-	-
Total non-current liabilities		-	-
Total liabilities		935,091	1,091,175
Net liabilities		(417,180)	(383,318)
Equity			
Issued capital	16	26,951,744	24,410,905
Reserves	17	451,643	228,725
Accumulated losses		(27,820,567)	(25,022,948)
Net deficiency		(417,180)	(383,318)

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

Consolidated	Issued Capital	Option Premium Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
Balance at 1 July 2017	21,740,790	165,325	(22,074,957)	(168,842)
Comprehensive loss for the year	-	-	(2,947,991)	(2,947,991)
Options issued to advisors	-	63,400	-	63,400
Shares issued	2,859,949	-	-	2,859,949
Shares issue costs	(189,834)	-	-	(189,834)
Balance at 30 June 2018	24,410,905	228,725	(25,022,948)	(383,318)
Balance at 30 June 2018	24,410,905	228,725	(25,022,948)	(383,318)
Adjustment on initial application of AASB15	-	-	(79,220)	(79,220)
Comprehensive loss for the year	-	-	(2,718,399)	(2,718,399)
Options issued to advisors	-	221,918	-	221,918
Shares issued	2,914,248	-	-	2,914,248
Shares issue costs	(373,409)	-	-	(373,409)
Balance at 30 June 2019	26,951,744	451,643	(27,820,567)	(417,180)

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	Notes	Consolidated	
		2019	2018
		\$	\$
Cash flows from operating activities			
Receipts from customers		1,149,963	1,022,672
Payments to suppliers and employees		(3,371,103)	(4,143,833)
Interest received		1,633	6,862
Finance costs paid		(92,249)	-
Research and development tax refund		151,323	263,279
Net cash (used in) operating activities	6(i)	(2,160,433)	(2,851,020)
Cash flows from investing activities			
Payments for property, plant and equipment		(24,442)	(47,600)
Net cash (used in) investing activities		(22,942)	(47,600)
Cash flows from financing activities			
Proceeds from shares issued (net of costs)		2,184,801	2,820,115
Debt repaid		(200,000)	(200,000)
Proceeds from borrowing		65,000	-
Net cash from financing activities		2,049,801	2,620,115
Net (decrease) in cash and cash equivalents		(135,074)	(278,505)
Cash and cash equivalents at beginning of the year		228,406	506,911
Cash and cash equivalents at end of the year	6	93,332	228,406

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

1. Summary of significant accounting policies

Basis of preparation

These financial reports are general purpose financial reports, which have been prepared for a “for-profit” enterprises and in accordance with the requirement of the Corporation Act 2001, Australian Accounting Standards and other authoritative announcement of the Australian Accounting Standards Board and comply with other requirements of the law. The financial report has been prepared on a historical cost basis, except for certain financial instruments which have been measured at their fair value.

The financial report covers the consolidated entity of Impression Healthcare Limited (“the legal Parent”) and its subsidiaries (“the Group”). Impression Healthcare Limited (IHL) is a listed public company, incorporated and domiciled in Australia. The financial report is presented in Australian dollars. Accounting policies have been consistently applied for all years except where explicitly stated otherwise.

Adoption of new and revised standards

- **AASB 9 Financial Instruments**

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement*. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an ‘expected credit loss’ model for impairment of financial assets.

The investment classifications available-for-sale financial assets and Held-to-maturity investment are no longer used and Financial assets at fair value through other comprehensive income (FVOCI) was introduced. There were no investments held in these categories as at 30 June 2018.

Interest revenue is no longer included in the Revenue note and is now shown separately on the face of the statement of profit or loss and other comprehensive income.

When adopting AASB 9, the Group has applied transitional relief and opted not to restate prior periods due to the immaterial impact of any changes.

- **AASB 15 Revenue from Contracts with Customers and Related Amending Standards**

In the current year, the Company has applied AASB 15 *Revenue from Contracts with Customers* which is effective for an annual period that begins on or after 1 July 2018. AASB 15 introduced a 5-step approach to revenue recognition.

AASB 15 replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and several revenue-related Interpretations. The new Standard has been applied as at 1 January 2018 using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balance of accumulated losses 1 July 2018 and comparatives are not restated. In accordance with the transition guidance, AASB 15 has only been applied to contracts that were incomplete as at 1 July 2018.

The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

In adopting AASB15 Steps 1 through 4 occur during the order process when the customer places the order. For on-line orders this also involves paying for the product. Step 5 occurs when the product is despatched to the customer.

The adoption of AASB 15 has mainly affected the following areas:

- a) Sales revenue in respect of products ordered and paid for by customers upon order that have yet to be produced and delivered to the customer
 - b) The value ascribed to work-in-progress on sales that are the subject of a) above
- While this represents significant new guidance, the implementation of this new guidance did not have a significant impact on the timing or amount of revenue recognised by the Company during the year.

Financial impact of initial application of AASB 15

First time adoption of AASB 15 required an adjustment against Accumulated Losses of \$79,220 comprising derecognition of sales revenue of \$94,888 and recognition of additional cost of sales of \$15,668 applicable to the prior year. For the current year, adoption of AASB 15 had effect of reducing net revenue by \$19,111.

Statement of compliance

The financial report was authorised for issue on 30 August 2019.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

Going concern

Notwithstanding the fact that the Group incurred an operating loss of \$2,718,399 for the year ended 30 June 2019, has a cash balance of \$93,332, and a net cash outflow from operating activities amounting to \$2,160,433, the Directors are of the opinion that the Company is a going concern. Subsequent to year end the Group raised \$1,700,000 of capital from professional and sophisticated investors. The Directors are confident that future capital requirements of the Company will be met from within the business, either from future operational cashflow or existing equity instrument holders which includes option holders and potential options awaiting approval from shareholders – the latter recorded as a current liability in these financial statements but not payable in cash (to be discharged as equity).

Should the Company be unable to raise sufficient funds from the sources outlined above, there is a material uncertainty that may cast significant doubt as to whether the Company will be able to realise its assets and extinguish its liabilities in the normal course of business.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee
- Is exposed, or has rights, to variable returns from its involvement in with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements listed above.

When the Company has less than a majority of the voting rights of an investee, it has the power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties; rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholder meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed

of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Changes in the Group's ownership interest in existing subsidiaries

Changes in the Group's ownership interest in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in subsidiaries. Any difference between the amount paid by which the non-controlling interests are adjusted by and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between:

- The aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by the applicable AASBs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

a. Revenue from contracts with customers

Revenue arises mainly from the sale of oral and dental devices. The Group generates revenue predominantly in Australia.

To determine whether to recognise revenue, the Group follows a 5-step process in revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Steps 1 through 4 occur during the order process when the customer places the order. For on-line orders this also involves paying for the product. Step 5 occurs when the final product is despatched to the customer as 'point in time' revenue.

The Group has no contracts with customers that have multiple delivery components.

In determining the amount of revenue and profits to record, and related statement of financial position items (such as work-in-progress, trade receivables, accrued income and income received in advance) to recognise in the period, management is required to form a number of key judgements and assumptions. This includes an assessment of the costs the Group incurs to deliver the contractual commitments and whether such costs should be expensed as incurred or capitalised.

Transaction price

For all contracts with customers the total transaction price is known at the time the order is placed by the customer.

Disaggregation of revenue

All revenue of the Group is considered 'point in time' revenue and the Group does not disaggregate revenue as management believe this best depicts the nature, amount, timing and uncertainty of the Group's revenue and cash flows.

Performance obligations

The Group's performance obligations are considered completed upon despatch of the finished product to the customer.

b. Borrowing costs

Borrowing costs are recognised as an expense when incurred except those that relate to the acquisition, construction or production of qualifying assets where the borrowing cost is added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

c. Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts (if any) are shown within borrowings in current liabilities in the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

d. Trade and other receivables

Trade receivables, which generally have 30 to 90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term, discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

e. Impairment of financial assets

AASB 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaced AASB 139's 'incurred loss model'.

Instruments within the scope of the new requirements include loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

f. Income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

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

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

g. Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows 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 are classified as operating cash flows.

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

h. Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Plant and equipment – over 3 to 5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the statement of comprehensive income. However, because land and buildings are measured at revalued amounts, impairment losses on land and buildings are treated as a revaluation decrement.

(ii) Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

i. Impairment of assets

The Group assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal

the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

j. Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

k. Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

l. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

m. Employee leave benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

n. Share-based payment transactions

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured 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 a Black-Scholes or Binomial model.

The assessed fair value at grant date of performance rights granted is expensed according to the performance or market-based conditions attached to the performance hurdle. Performance based hurdles are expensed to each reporting period evenly over the period from grant date to vesting date. Market based hurdles are expensed on the grant date.

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 5).

o. Issued capital

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

p. Earnings per share

Basic earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

q. Critical accounting estimates and judgments

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both external and within the Company.

Key estimates:

Share based payments

Share based payments are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Deferred tax assets have not been recognised because it is not probable the future taxable profit will be available against which the Group can utilise the benefits therefrom.

AASB 16 – Leases

AASB 16 replaces AASB 117 *Leases*. AASB 16 removes the classification of leases as either operating leases or finance leases-for the lessee – effectively treating all leases as finance leases. AASB 16 is applicable to annual reporting periods beginning on or after 1 July 2019. The potential impact of AASB16 has been assessed and considered immaterial.

2. Revenue and expenses	Consolidated	
	2019 \$	2018 \$
<i>(a) Revenue</i>		
Sales revenue – point in time	1,178,466	1,012,233
Interest revenue	1,633	2,590
Rent	1,800	17,044
	<u>1,181,899</u>	<u>1,031,867</u>
<i>(b) Expenses</i>		
Executive director's remuneration	<u>217,949</u>	<u>330,241</u>

3. Income tax

The prima facie income tax (expense)/benefit on pre-tax accounting (loss)/profit from operations reconciles to the income tax benefit in the financial statements as follows:

Accounting loss before tax from continuing operations	(2,869,722)	(3,211,270)
Income tax benefit at the applicable tax rate of 27.5% (2018: 27.5%)	789,174	883,099
Non-deductible expenses at the applicable tax rate of 27.5% (2018:27.5%)	-	-
Deferred tax assets not recognised	(789,174)	(883,099)
Research and Development Grant in relation to prior year	151,323	263,279
Income tax benefit	<u>151,323</u>	<u>263,279</u>

Unrecognised Deferred Tax Asset

Deferred tax asset not recognised in the financial statements:

Unused tax losses at 27.5% (2018: 27.5%)	2,735,670	1,946,496
Deductible temporary differences	-	-
Net unrecognised tax benefit	<u>2,735,670</u>	<u>1,946,496</u>

The potential deferred tax benefit has not been recognised as an asset in the financial statements because recovery of the asset is not considered probable in the context of AASB 112 Income Taxes.

The benefit will only be realised if:

- the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised.
- the Company complies with the conditions for deductibility imposed by the law; and
- no changes in tax legislation adversely affect the Company in realising the benefit.

4. Dividends

The Company has not declared a dividend for the year ended 30 June 2019.

5. Loss per share

	Consolidated	
	2019	2018
	cents per share	cents per share
Basic loss per share	(0.61)	(1.29)
Diluted loss per share	(0.61)	(1.29)

	Consolidated	
	2019	2018
	\$	\$
Basic loss per share		
The loss and weighted average number of ordinary shares used in the calculation of basic loss per share is as follows:		
- Loss (\$)	(2,718,399)	(2,947,991)
- Weighted average number of ordinary shares (number)	447,439,263	227,990,054

6. Cash and cash equivalents

Cash at bank and on hand	93,332	228,406
	<u>93,332</u>	<u>228,406</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates.

i. Reconciliation of loss for the year to net cash flows from operating activities:

Loss after income tax	(2,718,399)	(2,947,991)
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Non-cash based expenses:

Share based payments	47,854	68,806
Depreciation and amortisation	41,886	54,628
Interest expense capitalised as equity	75,000	-
Non-cash element of new business development costs	583,896	-
Other non-cash expenses	9,413	-

Changes in net assets and liabilities:

(Increase)/Decrease in receivables	(43,681)	39,071
(Increase)/Decrease in inventory	70,268	(3,939)
Decrease in other current assets	10,009	-
Decrease in trade payables and accrued expenses	(257,451)	(61,595)
Increase in other liabilities	20,772	-
Cash flows from (used in) operations	<u>(2,160,433)</u>	<u>(2,851,020)</u>

7. Trade and other receivables (Current)

	Consolidated	
	2019	2018
Current	\$	\$
Receivables	66,605	10,422
GST recoverable	31,179	43,681
	<u>97,784</u>	<u>54,103</u>

8. Property, plant and equipment

Property, plant & equipment – at cost	166,342	158,399
Less: accumulated depreciation	(80,919)	(60,721)
Total property, plant & equipment	<u>85,423</u>	<u>97,678</u>

Reconciliation: 30 June 2019	Plant & Equipment \$	Computer Equipment \$	Office Furniture \$	Total \$
Carrying value as at 1 July 2018	92,339	-	5,339	97,678
Additions	7,942	-	-	7,942
Depreciation	(19,130)	-	(1,067)	(20,197)
Balance at 30 June 2019	<u>81,151</u>	<u>-</u>	<u>4,272</u>	<u>85,423</u>

Reconciliation: 30 June 2018	Plant & Equipment \$	Computer Equipment \$	Office Furniture \$	Total \$
Carrying value as at 1 July 2017	37,174	193	6,673	44,040
Additions	62,600	-	-	62,600
Depreciation	(7,435)	(193)	(1,334)	(8,962)
Balance at 30 June 2018	<u>92,339</u>	<u>-</u>	<u>5,339</u>	<u>97,678</u>

9. Other assets (current)

	Consolidated	
	2019	2018
	\$	\$
Prepayments	4,683	5,354
Office rental bond	17,179	28,179
Work in progress (contract assets)	17,329	-
	<u>39,191</u>	<u>33,533</u>

10. Share based payment plans

The Company has in place an Employee Share Option Plan (ESOP) and a Performance Rights Plan (PRP).

Shareholders approved the Impression Healthcare Limited PRP at the Annual General Meeting held on 23 November 2011. The PRP is designed to more closely align rewards for performance with the achievement of the Company's growth and strategic objectives. The plan provides for the issue of performance rights which, upon determination by the Board that the performance conditions attached thereto have been met and subject to the terms of the plan, convert into fully paid ordinary shares. Where the participant is a director of the Company, specific shareholder approval will have to be sought under the ASX Listing Rules prior to the grant of performance rights to such an individual.

For the year ended 30 June 2019:

- no options were granted under the ESOP, and no options remain on issue that were previously issued pursuant to the ESOP; and
- no performance rights were granted under the PRP, and no performance rights remain on issue that were previously issued pursuant to the PRP.

Fair value of performance rights granted

The fair values at grant date are independently determined using a binomial pricing model (refer note 1(o) and (e) (iii)) that takes into account the exercise price, the term of the rights, the share price at grant date, expected price volatility of the underlying share and the risk-free interest rate for the term of the rights.

During the year, 49,000,000 performance rights were granted (2018: Nil) with a total cost of \$82,854 attributed to these performance rights. Of this, \$35,000 (30m performance rights) was treated as new equity capital and \$47,854 (19m performance rights) was charged against share based payment expense. 735,021 performance rights lapsed during the year (2018: 1,470,042) due to non-attainment of performance hurdles.

	Consolidated	
	2018	2018
	\$	\$
11. Inventories		
Current		
Raw materials – at cost	152,804	223,070
	<u>152,804</u>	<u>223,070</u>
12. Intangible assets		
Non-current		
Trademarks & IP	49,377	71,066
	<u>49,377</u>	<u>71,066</u>
Movement schedule – Trademarks & IP		
Opening Balance	71,066	116,731
Amortisation expense	(21,689)	(45,665)
Closing Balance	<u>49,377</u>	<u>71,066</u>

13. Trade and other payables (current)	Consolidated	
	2019	2018
	\$	\$
Trade payables	376,124	494,997
Accrued expenses	65,797	70,500
Employee leave entitlements	36,899	45,786
Convertible note accrued interest	-	82,184
Other payables	-	16,500
	478,820	709,967

14. Borrowings (current and non-current)

Convertible notes - current

Convertible notes on issue	-	200,000
Conversion to shares	-	-
Closing balance	-	200,000

Amount classified as equity	-	-
Unwinding of interest	-	2,542
Carrying amount of liability	-	200,000

Other borrowings - current

Short-term loans ¹	65,000	-
	65,000	-

1 Loans made by management and third parties at 0% interest rate repayable on receipt of equity capital expected in July 2019

Total borrowings

Current	65,000	200,000
Non-current	-	-
	65,000	200,000

15. Other liabilities (current)

Income received in advance	146,868	31,208
Capital subscriptions awaiting shareholder approval	-	150,000
Options issues awaiting shareholder approval ²	244,403	-
	391,271	181,208

2 The Company entered into a distribution agreement with Cannvalate Pty Ltd – announced to ASX on 21 March 2019 – which contemplates the issue of a series of options in return for services provided. The issue of these options was subject to shareholder approval which had not been obtained as at 30 June 2019, however was subsequently obtained on 9 August 2019. Refer note 23 for further details.

16. Issued capital

		Consolidated	
		2019	2018
		\$	\$
(a)	Issued Capital	26,951,744	24,410,905
(b)	Ordinary shares - movements during year	Year ended 30 June 2019 (No. of shares)	Year ended 30 June 2018 (No. of shares)
	At start of year	288,288,248	155,922,734
	Placements of shares	211,520,587	65,123,100
	Rights issue and associated shortfall placement	73,572,062	67,242,414
	Conversion of performance rights	24,833,332	-
	At end of year	581,897,040	288,288,248

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. On a show of hands, every shareholder present at a meeting is entitled to one vote and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(c) Movement in number of options on issue for the year

At 30 June 2019

Expiry date and exercise price	Balance at start of year	Granted during year	Exercised / (expired) during year	Balance at end of year
31-Dec-2018 \$0.12 (IHLOA)	17,266,857	-	(17,266,857)	-
31-Dec-2018 \$0.12 unlisted	11,750,000	-	(11,750,000)	-
31-Dec-2018 \$0.128 unlisted	1,171,879	-	(1,171,879)	-
30-Sep-2020 \$0.04 IHLOB	126,570,156	136,390,572	-	262,960,728
Total	156,758,892	136,390,572	-	262,960,728
Weighted average price (\$)	\$0.055	\$0.040	-	\$0.040

The share options outstanding at the end of the year had an exercise price of \$0.04 and a remaining life of 15 months. The weighted average fair value of options granted during the year was 0.5 cents.

At 30 June 2018

Expiry date and exercise price	Balance at start of year	Granted during year*	Exercised during year	Balance at end of year
31-Dec-2018 \$0.12 (IHLOA)	17,266,857	-	-	17,266,857
31-Dec-2018 \$0.12 unlisted	11,750,000	-	-	11,750,000
31-Dec-2018 \$0.128 unlisted	1,171,879	-	-	1,171,879
30-Sep-2020 \$0.04 IHLOB	-	126,570,156	-	126,570,156
Total	30,188,736	126,570,156	-	156,758,892
Weighted average price (\$)	\$0.120	\$0.040	-	\$0.055

* Options were granted attaching to shares subscribed for during the rights issue and placements for no consideration. A total of \$63,400 was expensed as share-based costs associated with the grant of these options.

(d) Movement in number of Performance Shares and Performance Rights for the year

At 30 June 2019

Security Description	Balance at start of year	Granted by the Company	Converted or Expired*	Balance at end of year
Performance Rights	735,021	49,000,000	(25,563,533)	24,166,668
Performance Shares	40,000,004	-	(20,000,002)	20,000,002

* A total of 24,333,333 Performance Rights were converted into ordinary shares upon achievement of performance hurdles while 735,021 Performance Rights expired due to unattained performance hurdles.

20,000,002 "A" Class Performance Shares expired on 30 June 2019 due to unattained performance hurdles leaving 20,000,002 "B" Class Performance Shares on issue.

At 30 June 2018

Security Description	Balance at start of year	Granted by the Company	Expired	Balance at end of year
Performance Rights	2,205,063	-	(1,470,042)	735,021
Performance Shares	40,000,004	-	-	40,000,004

17. Reserves

(a)		Consolidated	
		2019	2018
		\$	\$
	Balance at 1 July	228,725	165,325
	Options issued to advisors	175,064	63,400
	Performance rights issued to management and directors	47,854	-
	At 30 June 2019	451,643	228,725

The option premium reserve is used to record the value of options issued to raise capital.

18. Remuneration of auditors

Audit or review of the financial reports of the company

Amounts received & receivable by the auditor:

Audit services – HLB Mann Judd	37,500	37,800
	37,500	37,800

19. Financial Instruments

The Group's principal financial instruments comprise cash and short-term deposits and convertible notes.

The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial liabilities such as trade payables, which arise directly from its operations. It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

(a) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's short-term deposits with a floating interest rate.

The Group's exposure to interest rate on financial assets and financial liabilities is detailed in the sensitivity analysis section of this note.

(b) Sensitivity analysis

During 2019, if interest rates had been 50 basis points higher or lower than the prevailing rates realised, with all other variables held constant, there would have been an immaterial change in post-tax result for the year. The impact on equity would have been the same.

(c) Net fair values

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and liabilities approximates their carrying value.

(d) Commodity price risk

The Group's exposure to price risk is minimal.

(e) Credit risk

There are no significant concentrations of credit risk within the Group.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, available-for-sale financial assets and certain derivative instruments, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognised third parties, there is no requirement for collateral.

(f) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of share issues and convertible notes.

The Group's payment commitments at 30 June 2019 were as follows:

Description	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Total
Consolidated	\$	\$	\$	\$	\$
Payables & accruals	478,820	-	-	-	478,820
Borrowings	65,000	-	-	-	65,000
	543,820	-	-	-	543,820

The Group's payment commitments at 30 June 2018 were as follows:

Description	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Total
Consolidated	\$	\$	\$	\$	\$
Payables & accruals	709,967	-	-	-	709,967
Borrowings	-	150,000	-	-	150,000
Convertible notes	-	-	200,000	-	200,000
	709,967	150,000	200,000	-	1,059,967

(g) Capital Management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders. Due to the nature of the Group's past activities, being mineral exploration, it does not have ready access to credit facilities and therefore is not subject to any externally imposed capital requirements, with the primary source of Group funding being equity raisings and unsecured convertible notes. Accordingly, the objective of the Group's capital risk management is to balance the current working capital position against the requirements to meet exploration programmes and corporate overheads. This is achieved by maintaining appropriate liquidity to meet anticipated operating requirements, with a view to initiating fund raisings as required.

20. Commitments and contingencies

Operating lease commitments – group as lessee

In 2017, the Group entered into a commercial lease for its office premises and office equipment. Future minimum payments under these contracts as at 30 June are as follows:

	Consolidated	
	2019	2018
	\$	\$
Within one year	11,500	106,314
Total minimum contract payments	11,500	106,314

21. Key Management Personnel compensation and related party disclosure

The Key Management Personnel of Impression Healthcare Limited during the year were:

Troy Valentine
Peter Widdows
Joel Latham
Alistair Blake

Key management personnel compensation	Consolidated	
	2019	2018
	\$	\$
Short-term employee benefits	447,929	796,052
Long-term employment benefits	42,818	-
Post-employment benefits	14,344	27,753
Total KMP compensation	505,091	823,805

Transactions with related entities

Transactions between related parties are on commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

During the year ended 30 June 2019, \$115,864 (2018: \$72,680) fees were paid to Alignment Capital Pty Ltd ("Alignment"), an entity in which Mr Valentine is a director. Alignment was engaged by the company to act as lead manager in the various capital raisings conducted during the year.

22. Details of the controlled entity

The consolidated financial statements include the financial statements of Impression Healthcare Limited and its wholly owned subsidiaries Gameday International Pty Ltd and Incannex Pty Ltd. Both subsidiaries are companies incorporated in Australia and Impression Healthcare Limited owns 100% of the issued ordinary shares in Gameday International Pty Ltd (2018: 100%) and Incannex Pty Ltd. Incannex Pty Ltd was incorporated on 13 November 2018.

23. Events Subsequent to Reporting Date

(a) Capital raising

During July 2019, the company undertook an equity raising to secure \$1.7m in additional equity capital from professional and sophisticated investors. This capital was delivered in two tranches – tranche 1 of \$1.2m arriving in early July and tranche 2 of \$0.5m arriving soon after the general meeting of shareholders approved tranche 2 on 9 August 2019 – see note 23(b) below. From the proceeds of tranche 1, the short-term loans totalling \$65,000 were also repaid.

(b) General meeting of shareholders

On 9 August 2019, shareholders approved all resolutions outlined in the Notice of Meeting sent to shareholders on 11 July 2019 which included:

- The ratification of tranche 1 and approval of tranche 2 of the equity raising outlined in note 23(a) above;
- The issue of options to Cannvalate Pty Ltd as released to ASX on 21 March 2019 (note 15).
- The issue of shares and options to Alignment Capital Pty Ltd as consideration paid for fees as manager of the capital raising outlined in note 23(a) above.
- The issue of shares and options to Mr Peter Widdows (Non-executive Director) subscribed for under tranche 2 of the capital raising outlined in note 23(a) above.

(c) Board changes

On 24 July 2019:

- Dr Sub Agarwal was appointed as Chief Medical Officer and a Non-executive Director; and
- Mr Joel Latham was appointed as Managing Director; and
- Mr Alistair Blake resigned from the Board as a Director.

There have been no other material events subsequent to balance date.

24. Parent entity disclosures

The individual financial statements for the parent entity show the following aggregate amounts. The information presented has been prepared using accounting policies as discussed in Note 1.

	Consolidated	
	2019	2018
	\$	\$
Financial Position		
Current assets	30,120	195,730
Non-Current assets	7,383,665	5,266,255
Total assets	7,413,785	5,461,985
Current liabilities	(508,014)	(629,829)
Non-Current liabilities	-	-
Total liabilities	(508,014)	(629,829)
Net assets	6,905,771	4,832,156
Issued capital	26,951,744	24,410,905
Reserves	451,643	228,725
Accumulated losses	(20,497,616)	(19,807,474)
Shareholders' equity	6,905,771	4,832,156

Contingencies of the Parent Entity

There are no contingent liabilities involving the parent entity (2018: Nil).

Guarantees of the Parent Entity

There are no guarantees involving the parent entity (2018: Nil)

25. Segment Information

During the year, the Group began developing activities in a new operating segment – medicinal cannabinoid treatments – adding to the existing segment as a manufacturer and distributor of professionally made home-impression custom-fit oral and dental devices.

30 June 2019	Oral and Dental Devices	Medicinal Cannabis	Unallocated	Consolidated
Revenue from external customers	1,178,466	-	-	1,178,466
Interest revenue	80	-	1,553	1,633
Other revenue	1,800	-	-	1,800
Interest expense	-	-	(85,065)	(85,065)
Depreciation	(20,198)	-	-	(20,198)
Amortisation	(21,688)	-	-	(21,688)
Other expenses	(2,581,984)	(736,140)	(606,546)	(3,924,670)
Income tax benefit	151,323	-	-	151,323
Segment loss after income tax	(1,292,201)	(736,140)	(690,058)	(2,718,399)
Segment assets	479,553	8,237	30,121	517,911
Segment liabilities	(403,636)	(23,441)	(508,014)	(935,091)

30 June 2018	Oral and Dental Devices	Medicinal Cannabis	Unallocated	Consolidated
Revenue from external customers	1,012,233	-	-	1,012,233
Interest revenue	2,590	-	-	2,590
Other revenue	17,044	-	-	17,044
Interest expense	(12,884)	-	-	(12,884)
Depreciation	(8,962)	-	-	(8,962)
Amortisation	(45,666)	-	-	(45,666)
Other expenses	(4,175,625)	-	-	(4,175,625)
Income tax benefit	263,279	-	-	263,279
Segment loss after income tax	(2,947,991)	-	-	(2,947,991)
Segment assets	707,857	-	-	707,857
Segment liabilities	(1,091,175)	-	-	(1,091,175)

DIRECTORS' DECLARATION

1. In the opinion of the Directors:
 - a. the accompanying financial statements, notes and additional disclosures are in accordance with the Corporations Act 2001 including:
 - i. giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year then ended; and
 - ii. complying with Accounting Standards and Corporations Regulations 2001; and
 - b. subject to the matters set out in note 1 "Going Concern", there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
 - c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2019.

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



Troy Valentine
Chairman
30 August 2019

INDEPENDENT AUDITOR'S REPORT

To the members of Impression Healthcare Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Impression Healthcare Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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HLB Mann Judd (WA Partnership) ABN 22 193 232 714

Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849

T: +61 (0)8 9227 7500 **E:** mailbox@hlbwa.com.au

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Key Audit Matter	How our audit addressed the key audit matter
Revenue Recognition Refer to Note 2 <i>Revenue and Expenses</i>	
<p>A substantial amount of the Company's revenue relates to the sale of mouthguards and impression kits. Revenue was recognised from sales of goods.</p> <p>Revenue recognition was a key audit matter due to the importance of the matter to users understanding of the financial report.</p>	<p>Our procedures included but were not limited to:</p> <ul style="list-style-type: none"> - We evaluated management's process and key controls regarding accounting for the Company's sales revenues; - Ensuring that accounting policies comply with Australian Accounting standards; - Performing testing over a sample of revenue to supporting evidence; - Considering the amounts included within deferred revenue for compliance with accounting policies.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and 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 Group 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 Group 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 Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Impression Healthcare Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards



HLB Mann Judd
Chartered Accountants

Perth, Western Australia
30 August 2019



Norman Neill
Partner

CORPORATE GOVERNANCE STATEMENT

Impression Healthcare Limited, (“IHL” or “the Company”) and its controlled entities (the “Group”) have adopted the corporate governance framework and practices set out in this statement. The Board of the Company is responsible for its corporate governance, that is, the system by which the Group is managed. The corporate governance framework and practices have been in place throughout the financial year, and comply with the third edition of the ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations (“Recommendations”), unless otherwise stated below.

This statement has been approved by the Board, and the information in the statement remains current as at 30 August 2019. Company policies and charters are available in the ‘Corporate’ section of the Company’s website at www.impression.healthcare

Principle 1: Lay Solid Foundations for Management and Oversight

1.1 *Role of the Board and Management*

The Board is responsible for evaluating and setting the strategic direction for the Group, establishing goals for management and monitoring the achievement of those goals.

The Board has responsibility for the following:

- appointing and removing the Chief Executive Officer (“CEO”) and managing director, chief financial officer (“CFO”), company secretary and any other executives and approving their remuneration;
- determining the strategic direction of the Group and measuring performance of management against approved strategies;
- review of the adequacy of resources for management to properly carry out approved strategies and business plans;
- adopting operating and capital expenditure budgets at the commencement of each financial year, approving acquisitions and divestitures, and monitoring progress by both financial and non-financial key performance indicators;
- monitoring the Group’s medium-term capital and cash flow requirements;
- approving and monitoring financial and other reporting to regulatory bodies, shareholders and other organisations;
- determining that satisfactory arrangements are in place for auditing the Group’s financial affairs;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and compliance with legislative requirements; and
- ensuring that policies and compliance systems consistent with the Group’s objectives and best practice are in place and that the Company and its officers act legally, ethically and responsibly on all matters.

The Board’s role and the Group’s corporate governance practices are continually reviewed and improved as required.

1.2 *Information on New Directors*

The Company has access to an external supplier to undertake appropriate checks on any potential director appointments. Under the Company’s Constitution, all directors appointed throughout the year as an additional director or to fill a casual vacancy hold office to the AGM. Current directors hold office and are required to be considered by Shareholders for re-election under the Listing Rules.

All directors, whether appointed throughout the year as an additional director or to fill a casual vacancy or who are due for election under the Listing Rules, are disclosed in the Notice of AGM, with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director. The company’s constitution provides that at each annual general meeting, one third of the Board (other than any managing director in office from time to time) or, if their number is not a multiple of three, the number nearest to one third, must retire and, if the retiring directors so chose, may offer themselves for re-election.

1.3 Contracts with Directors

On appointment, directors are provided with a formal letter of appointment and executive management with written employment agreements incorporating job descriptions (where relevant).

1.4 Professional Advice

The Board has determined that individual directors have the right in connection with their duties and responsibilities as directors, to seek independent professional advice at the Group's expense. The engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably. If appropriate, any advice so received will be made available to all Board members.

The finance function is outsourced to an external consultant with appropriate skills. The company secretarial function is currently performed by Glenn Fowles. The Company Secretary is accountable to the Board through the Chairman on corporate governance matters pertaining to the company secretarial role. All directors have access to the Company Secretary.

1.5 Diversity

Recommendation 1.5 is that the Company should establish and disclose a diversity policy. Due to the Company's size and nature of operations, the Board has not yet implemented a diversity policy but the Board recognises the value of diversity and the opportunities that it brings. As the Company grows and positions become available, the Board remains conscious of the requirement to establish a diversity policy and will seek to promote and increase diversity.

Recommendation 1.5 also states that the Company should report against a set of measurable objectives for achieving gender diversity. Due to the Company's size and nature of operations, the Board has not yet established measurable objectives for achieving gender diversity.

The Company currently has no permanent full-time employees and uses the services of a number of consultants. There are three directors on the Board, all of whom are male.

1.6 Performance Review – Board and Directors

Due to the size of the Company and the Board, an informal self-assessment is normally undertaken in relation to the Board's collective performance and the performance of the Chairman and individual directors during each financial year. There are currently no formal policies in place for these evaluations. The Board, its committees and non-executive directors continually monitors its performance during the year in accordance with the processes described above.

Recommendation 1.6 includes the requirement to disclose whether a performance evaluation for the Board and directors has taken place in the reporting period. A formal self-assessment was not performed during the 2018 financial year but a performance review is scheduled to take place in the next financial period.

1.7 Performance Review – senior executives

Arrangements put in place by the Board to monitor the performance of the Group's executives include:

- a review by the Board of the Group's financial performance;
- annual performance appraisal meetings, incorporating analysis of key performance indicators with each individual, to ensure that the level of reward is aligned with respective responsibilities and individual contributions made to the success of the Group;
- an analysis of the Group's prospects and projects; and
- a review of feedback obtained from third parties, including advisors.

Recommendation 1.7 includes a requirement to disclose whether a performance evaluation for senior executives has taken place in the reporting period. Due to the changes in the employment arrangements that occurred during the year, this process was not undertaken during the 2019 financial year.

Principle 2: Structure of the Board to Add Value

2.1 *Nomination Committee*

Recommendation 2.1 is that the Board should establish a nomination committee. The Board considers that the Group is not currently of a size, nor are its affairs of such complexity to justify the formation of a nomination committee at this time. The Board as a whole considers the following factors when selecting new directors and when recommending directors to shareholders for appointment or re-election:

- the aim of having a majority of independent directors on the Board and of having an independent non-executive chairman;
- the aim of having an independent director, other than the Board chairman, as the chairman of the Audit and Risk Management Committee;
- that between them, the directors have the appropriate skill base and range of expertise, experience and diversity to discharge the Board's mandate;
- that each individual director has sufficient time to meet his/her commitments as a director of the Company;
- the duration of each existing director's tenure, noting the retirement provisions of the Constitution as set out below; and
- whether the size of the Board is appropriate to facilitate effective discussions and efficient decision-making.

Where appropriate, independent consultants will be engaged to identify possible new candidates for the Board. To date, new candidates to join the Board have predominantly been sought through referrals, rather than through professional intermediaries.

Directors are initially appointed by the full Board, subject to election by shareholders at the next annual general meeting. Under the Company's Constitution a director (other than the managing director and only one managing director where the position is jointly held) is subject to reappointment by shareholders not later than the third anniversary following his/her last appointment. The nomination of existing directors for reappointment is not automatic and is contingent on performance and on the current and future needs of the Company.

2.2 *Board Skills Matrix*

The Board has developed a Board skills matrix, to simplify the process for identifying any 'gaps' in the Board's skills, expertise and experience. As part of the review of the skills matrix the Board monitor the skills, expertise and experience that are relevant to the Company and assesses those requirements against the collective attributes of the directors. The Board skills matrix will be reviewed by the directors on an annual basis.

Details of the Directors' skills, experience, expertise and attendance at meetings are set out in the Directors' Report in each year's Annual Report.

2.3/2.4 Independent Directors

During the financial year ended 30 June 2019, the Company had the following Board members, who served as directors throughout.

- Mr Troy Valentine Non-Executive Chairman (appointed 11 December 2017)
- Mr Peter Widdows Non-Executive Director (appointed 1 March 2018)
- Mr Alistair Blake Executive Director (appointed 20 October 2016)

On 24 July 2019, Mr Blake resigned from the Board, and on that same day, the following appointments to the Board were made:

- Dr Sud Agarwal Non-Executive Director
- Mr Joel Latham Managing Director

The Board currently consists of one executive and three Non-executive Directors.

Details of the directors' skills, experience, expertise, special responsibilities, attendance at Board meetings and dates of appointment are set out in the directors' report.

In assessing the independence of the directors, the Board has defined an independent director as a director who:

- is non-executive;
- is not a substantial shareholder (i.e. greater than 5%) of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- has not within the last three years been employed in an executive capacity by the Company or another Group member;
- has not within the last three years been a principal or employee of a material professional adviser or a material consultant to the Company or another Group member, or an employee materially associated with the service provided;
- is not a material supplier or customer of the Company or another Group member, or an officer of or otherwise associated, directly or indirectly, with a material supplier or customer;
- has no material contractual relationship with the Company or another Group member other than as a director of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

Materiality for these purposes is determined on both quantitative and qualitative bases. An amount which is greater than five percent of either the net assets of the Company or an individual director's net worth is considered material for these purposes.

Troy Valentine is a substantial shareholder of the Company and is therefore not independent.

Peter Widdows is deemed to be an independent director.

Sud Agarwal is deemed to be an independent director.

Joel Latham is the Group Managing Director and Chief Executive Officer and is therefore not independent.

During his time on the Board during FY19, Alistair Blake was the technical adviser of Impression Healthcare Limited and not considered independent.

The Company's Constitution provides that the number of directors shall not be less than three and not more than seven. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the appointment and further expense of additional independent non-executive directors.

The Board believes that the four individuals on the Board can, and do, make independent judgments and act in the best interests of shareholders.

In accordance with the Corporations Act 2001 and the Company's Constitution, directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Group. Where the Board believes that a significant conflict exists, the director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered.

2.5 Chairman

Troy Valentine performs the role of chairman.

The Chairman's responsibilities include leadership of the Board and the efficient organisation and conduct of the functioning of the Board. The Board generally manages the day-to-day affairs of the Group.

2.6 Director Induction

The Board implements an induction program for new Directors which involves providing information about the company, its constitution and policies and practices. The Board is continually informed by Senior Management of key developments in the Company's business and the industry in which the Company operates.

Principle 3. Act ethically and responsibly

3.1 Code of Conduct

The Group has a Code of Business Conduct in place which provides guidelines aimed at maintaining high ethical standards, corporate behavior and accountability within the Group.

All Group personnel and directors are expected to:

- respect the law and act in accordance with it;
- respect confidentiality and not misuse Group information, assets or facilities;
- value and maintain professionalism;
- avoid real or perceived conflicts of interest;
- act in the best interests of shareholders;
- by their actions contribute to the Group's reputation as a good corporate citizen, which seeks the respect of the community and environment in which it operates;
- perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- act with honesty, integrity, decency and responsibility at all times.

Any member of Group personnel that breaches the Code of Ethics and Conduct may face disciplinary action. If a member of Group personnel suspects that a breach of the Code of Ethics and Conduct has occurred or will occur, he or she must report that breach to management. No member of Group personnel will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

Principle 4. Safeguard Integrity in Corporate Reporting

4.1 Audit Committee

Recommendation 4.1 is that the Board should establish an Audit and Risk Management Committee. The Board considers that the Group is not currently of a size, nor are its affairs of such complexity to justify the formation of an audit committee at this time. During the year, the full Board reviews the integrity of the Company's financial reporting and the processes to ensure the independence and competence of the external auditors.

The Board currently fulfils the responsibilities which are usually assigned to an audit committee including:

- considering whether the Company's financial statements reflect the understanding of the Committee members of, and otherwise provide a true and fair view of, the financial position and performance of the Company;
- ensuring that the quality of financial controls is appropriate for the business of the Company;
- considering the appointment or removal of the external auditor, the rotation of the external audit partner and approving the remuneration and terms of engagement of the external auditor;
- monitoring and reviewing the external auditor's independence, objectivity and performance, taking into consideration relevant professional and regulatory requirements; and
- reviewing the Company's risk management and internal control systems.

4.2 CEO/CFO declarations

The Board has received a written assurance from each of the Chief Executive Officer and Chief Financial Officer for each financial reporting period that in their opinion, the declaration provided by them in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

4.3 External Auditors present at the Annual Meeting

The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is considered annually and applications for tender for external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. The audit engagement partner is rotated periodically, as required by the Corporations Act.

A representative from the external auditor is invited to attend each annual general meeting to answer any questions concerning the audit of the Group and the contents of the auditor's report.

Principle 5. Make Timely and Balanced Disclosure

5.1 Market Disclosure Policy

The Market Disclosure Policy requires executive management to determine when a market release is required to comply with the ASX Listing Rule continuous disclosure requirements. The Policy sets out details of accountability for the preparation and approval of ASX releases, and is available on the Company's website.

Principle 6. Respect the Rights of Shareholders

6.1 Website Information

The Company discloses information about itself, ASX announcements, its Corporate Governance Statement and all its Corporate Governance Policies on the Company's website.

6.2 Investor Relations

The Group places considerable importance on effective communications with shareholders.

The Group communicates with shareholders and other stakeholders in an open, regular and timely manner, so that the market has sufficient information to make informed investment decisions on the operations and results of the Group. The following communications are posted on the Company's website:

- ASX Quarterly Cash Flow Reports;
- Half Yearly Report;
- presentations at the Annual General Meeting/General Meetings;

- Annual Report; and
- other announcements lodged with ASX.

6.3 Participation at Shareholder Meetings

The Board encourages full participation of shareholders at the Annual General Meeting. Shareholders who are unable to attend general meetings are encouraged to lodge proxy appointments in advance of the meeting.

6.4 Electronic Communications

Shareholders may elect to receive electronic notifications when the Annual Report is available on the Company's website, and may electronically lodge proxy instructions for items of business to be considered at general meetings.

Principle 7. Recognise and Manage Risk

7.1 Risk Committee

Recommendation 7.1 is that the Board should establish a committee to oversee risk. The Board considers that the Group is not currently of a size, nor are its affairs of such complexity to justify the formation of a risk committee at this time.

The Board currently fulfils the responsibilities which are usually assigned to a risk committee. Senior executives and the Board regularly consider strategic and operational areas of risk for the Group and records any remedial action the Group has taken in the management of those risks.

7.2 Risk Management Review

Recommendation 7.2 is that the Board or a Committee should review the risk management framework at least annually. During the year, ongoing monitoring, mitigating and reporting on material risks by senior executives and the Board took place in accordance with the processes disclosed.

The Board has established a framework for the management of the Group including a system of internal controls, a business risk management process and the establishment of appropriate ethical standards. The identification and effective management of risk, including calculated risk-taking, is viewed as an essential part of the Group's approach to creating long-term shareholder value.

Management is responsible for designing, implementing and reporting on the adequacy of the Group's risk management and internal control system.

Key elements of the Group's internal control systems include:

- the Code of Conduct, which sets out an ethical and legal framework for all employees in the conduct of the Group's business; and
- financial and reporting systems to provide timely, relevant and reliable information to management and the Board.

During the year and up to the date of this statement, management and the Company Secretary reported directly to the Board on the Group's key risks and the effectiveness of the Company's management of those risks.

7.3 Internal Audit Function

The Board, has determined not to have an internal audit function due to the size of the Company.

The Company's external auditors are engaged to perform a half year review and full year audit as required under the Corporations Act 2001. Senior executives and the Board have regular meetings and contact with the external auditors during the year and for the review and audits.

7.4 *Material Exposure to Risk*

Recommendation 7.4 is that the Board should disclose whether it has any material exposure to economic, environmental and social sustainability risks and if so, how it manages those risks. The Group believes that the following operational risks are inherent in the industry in which the Group operates, having regard to the Group's circumstances (including financial resources, prospects and size):

- fluctuations in commodity prices and exchange rates;
- accuracy of mineral reserve and resource estimates;
- reliance on licenses, permits and approvals from governmental authorities;
- ability to obtain additional financing;
- acquisition of new business opportunities; and
- changed operating, market or regulatory environments.

These risk areas are provided here to assist investors to understand better the nature of the risks faced by the Group, and are not necessarily an exhaustive list.

Principle 8. Remunerate Fairly and Responsibly

8.1 *Remuneration Committee*

Recommendation 8.1 is that the Board should establish a remuneration committee. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of a remuneration committee. The Board as a whole is responsible for the remuneration arrangements for directors and executives of the Company.

Details of the Group's remuneration policy are set out in the remuneration report.

8.2 *Remuneration Disclosure for Non-Executive and Executive Directors*

The remuneration of non-executive directors is determined by the Board as a whole having regard to the level of fees paid to non-executive directors by other companies of similar size in the industry. Due to the size of the Company, the structure of both executive and non-executive directors' remuneration includes a long-term incentive component, linked to the performance of the Group.

The non-executive directors receive no retirement benefits, other than statutory superannuation contributions. Any increase in the maximum total remuneration of the non-executive directors of the Company, which is set at \$500,000 is subject to the approval of shareholders. Further information on directors' and executives' remuneration is set out in the directors' report under the heading Remuneration Report in the Directors' Report in each year's Annual Report.

Any directors or IHL personnel participating in equity-based remuneration schemes are prohibited from entering into transactions in associated products which limit the economic risk of their unvested entitlements.

SECURITIES EXCHANGE INFORMATION

Additional information required by the ASX Limited Listing Rules, and not disclosed elsewhere in this report.

SHAREHOLDINGS

No individual shareholder is recorded as being a substantial shareholder (>5% of the Company's ordinary share capital). The Company received a "Notice of Substantial Shareholder" on 11 July 2019 advising a 6.52% position held by an associated group of shareholders. Please refer to the ASX announcement made by IHL on 11 July 2019 for further details of this position.

CLASS OF SHARES AND VOTING RIGHTS

The voting rights attached to the Fully Paid Ordinary shares of the Company are:

- a) at a meeting of members or classes of members each member entitled to vote may vote in person or by proxy or by attorney; and
- b) on a show of hands every person present who is a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share held.

Options do not carry any voting rights.

DISTRIBUTION OF SHAREHOLDERS (as at 28 August 2019)

Range	Total Holders	Units	% Issued Capital
1 - 1,000	60	22,442	0.00
1,001 - 5,000	67	201,153	0.03
5,001 - 10,000	270	2,079,425	0.33
10,001 - 100,000	1,174	50,222,873	7.94
100,001 and above	628	580,531,043	91.70
Total	2,199	633,056,936	100.00

There were 189 shareholders holding less than a marketable parcel (less than 6,250 shares at \$0.08) at 28 August 2019 - a total of 576,737 shares.

DISTRIBUTION OF OPTIONHOLDERS – "IHLOB" \$0.040 30/09/20 (as at 28 August 2019)

Range	Total Holders	Units	% Issued Capital
1 - 1,000	14	4,952	0.00
1,001 - 5,000	22	61,505	0.02
5,001 - 10,000	14	106,954	0.04
10,001 - 100,000	94	4,889,871	1.86
100,001 and above	187	257,297,446	98.07
Total	331	262,360,728	X

There is no current on-market buy back taking place.

During the reporting year the Company used its cash and assets in a manner consistent with its business objectives.

The Company had the following unlisted equity securities on issue as at 26 August 2019:

Class	Number
Performance shares	20,000,002
Performance rights	24,166,668
Options (refer to note XX of the financial statements)	75,368,422

TWENTY LARGEST SHAREHOLDERS (as at 28 August 2019)

	HOLDER NAME	NUMBER HELD	PERCENTAGE
1	MR ANTHONY MICHAEL MALYNIAK	24,200,000	3.82
2	EZR SYSTEMS PTY LTD	18,599,187	2.94
3	MISS FRANCINE ELIZABETH PLANEL	18,060,526	2.85
4	ALISTAIR PTY LTD	15,685,841	2.48
5	CIPATER PTY LTD	15,600,000	2.46
6	MR BRIAN PETER BYASS	14,671,000	2.32
7	BAGBO PTY LTD	13,914,916	2.20
8	SLADE TECHNOLOGIES PTY LTD	13,676,316	2.16
9	FOOTPRINT CAPITAL PTY LIMITED	12,455,125	1.97
10	MR PETER WIDDOWS	12,282,456	1.94
11	ALIGNMENT CAPITAL PTY LTD	11,194,248	1.77
12	AXIM BIOTECHNOLOGIES INC	10,300,000	1.63
13	MR JOEL BRADLEY LATHAM	8,745,795	1.38
14	GUINA NOMINEES PTY LTD	7,225,000	1.14
15	GORB PTY LTD	6,938,850	1.10
16	MR PETER FRANCIS SCANLAN	6,178,958	0.98
17	JAPL NOMINEES PTY LTD	6,100,000	0.96
18	MR YING FAN ZHUANG	5,129,527	0.81
19	ELLAZ PTY LTD	4,705,000	0.74
20	MRS DM AND MR IM STEVENSON	4,256,926	0.67
		229,919,671	36.32

TWENTY LARGEST “IHLOB” OPTIONHOLDERS (as at 28 August 2019)

	HOLDER NAME	NUMBER HELD	PERCENTAGE
1	MR RAYMOND LAURENCE CARROLL	16,603,448	6.33
2	MR PETER ANDREW PROKSA	16,000,000	6.10
3	BAGBO PTY LTD	15,569,550	5.93
4	TRANAJ NOMINEES PTY LTD	14,036,804	5.35
5	EKIRTSON NOMINEES PTY LTD	12,426,803	4.74
6	ALIGNMENT CAPITAL PTY LTD	12,025,000	4.58
7	CIPATER PTY LTD	5,962,055	2.27
8	MR JAMES LAMBIE	5,301,655	2.02
9	MR MICHAEL ARTHUR PARISH	4,700,000	1.79
10	MR JOEL BRADLEY LATHAM	4,237,500	1.62
11	MR WEE JIM GOH	4,200,000	1.60
12	MS JULIA NGOC HONG LY	4,091,224	1.56
13	MR FRANCESCO LUCIO MOLINO	4,075,000	1.55
14	MR ANTHONY MICHAEL MALYNIAK	4,000,000	1.52
15	MR LINDSAY PEARCE	3,801,371	1.45
16	MR PETER WIDDOWS	3,300,000	1.26
17	NEXUS SUPERANNUATION PTY LTD	3,175,000	1.21
18	LOZIN MUST INVESTMENTS PTY LTD	3,100,000	1.18
19	BNP PARIBAS NOMINEES PTY LTD	3,000,500	1.14
20	MR FAROUK AHMED	3,000,000	1.14
		142,605,910	54.36