

Eco Systems Ltd

ASX Announcement

31 August 2020

Eco Systems Ltd

ACN 132 204 561
ABN 68 132 204 561

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South Melbourne Vic 3205

Contact:

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Board of Directors:

Mr Matthew Driscoll, Non- Exec Director
Dr Paul Kasian, Non-Exec Director
Mr Damian Arena, Non-Exec Director

Company Secretary:

Melanie Leydin

Securities on Issue:

67,508,545 ordinary shares

Website:

www.bmpcorp.com.au

APPENDIX 4E - PRELIMINARY FINAL REPORT

Melbourne, Australia, 31 August 2020: Eco Systems Ltd, (ASX: ESL) (“Eco Systems” or “the Company”) today announces its 30 June 2020 Appendix 4E – Preliminary Final Report. The report is based on financial statements that are in the process of being audited.

The Company advises that it is relying on the relief granted by ASIC in ASIC Corporations (Extended Reporting and Lodgment Deadlines – Listed Entities) Instrument 2020/451 (“ASIC Relief”) to extend the lodgment date for its audited accounts from 30 September 2020 to 2 November 2020. The Company will immediately make a further announcement to the market if there is a material difference between its unaudited accounts and its audited accounts.

-Ends-

This announcement is authorised for release by the Board of Directors of Eco Systems Ltd.

For more information, please contact:

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Non-Executive Director
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Eco Systems Limited

ABN 68 132 204 561

Appendix 4E

Under Listing Rule 4.3A

Preliminary Final Report For 30 June 2020

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Current Reporting Period
Previous corresponding period (PCP)

1 July 2019 to 30 June 2020
1 July 2018 to 30 June 2019

Results for Announcement to the Market

Statutory Results

| | | % change from PCP | | \$ |
|--|------|----------------------|----|-----------|
| Total revenue from ordinary activities | down | 97.6 | to | 5,238 |
| Earnings before interest and tax (EBIT) | down | 47.7 | to | (536,127) |
| Profit/(loss) from ordinary activities after tax | down | 47.7 | to | (536,127) |
| Net profit/(loss) for the period | down | 47.7 | to | (536,127) |

Dividends

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

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$536,127 (30 June 2019: \$2,702,778 profit).

At the end of 2020, the Company held cash reserves of \$18,648. Net cash outflows from operating activities during the year were \$400,798.

Significant changes in the state of affairs

On 7 October 2019, a Convertible note with Misquitta Securities Pty Ltd was repaid.

On 7 October 2019, a Convertible Note Facility Deed was entered into with a Melbourne based Multi-Family Office, for a facility limit of \$350,000.

The key terms of the facility include:

- Facility limit of \$350,000;
- Immediate drawdown of \$350,000;
- Repayment date of 26 September 2021;
- Interest rate at 10% per annum.

On 27 November 2019 the Company name changed from buyMyplace.com.au Limited to Eco Systems Ltd.

On 18 June 2020, the Company entered into a Convertible Note with a Melbourne based Multi-Family Office providing a facility of \$100,000. This facility is in addition to the \$350,000 facility announced on 7 October 2019. The additional facility provides working capital to further assess and pursue specific acquisition opportunities and general working capital.

The key terms of the Convertible Note are:

- Facility Limit of \$100,000
- Immediate drawdown of \$100,000
- Repayment date of 18 June 2022; and
- Interest rate of 10% per annum.

Matters subsequent to the end of the financial year

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

The Company is in the final stages of completing a potential recapitalisation exercise and will provide an update to the market in due course, as required. The Directors continue to pursue potential strategic opportunities to maximise shareholder value.

The Company continues working through the process of winding down the MyPlace Conveyancing ("MPC") operations and will provide an update in due course.

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Earnings per share

| | 2020 | 2019 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Profit/(Loss) after income tax attributable to the owners of Eco Systems Limited | <u>(536,127)</u> | <u>2,702,778</u> |
| | 2020 | 2019 |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | <u>67,508,545</u> | <u>67,508,545</u> |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>67,508,545</u> | <u>67,508,545</u> |
| | 2020 | 2019 |
| | Cents | Cents |
| Basic earnings per share | (0.79) | 4.00 |
| Diluted earnings per share | (0.79) | 4.00 |

Net tangible assets / (liabilities) per security

| | 2020 | 2019 |
|--|---------------|---------------|
| | \$ | \$ |
| Net tangible assets / (liabilities) per security | <u>(0.01)</u> | <u>(0.01)</u> |

Information on audit process

This report is based on financial statements that are in the process of being audited.

The Appendix 4E should be read in conjunction with the accompanying Preliminary Final Report

PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

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Statement of Profit and Loss and Other Comprehensive Income
For the year ended 30 June 2020

| | Note | Consolidated 2020 \$ | 2019 \$ |
|--|------|----------------------------|------------|
| Revenue | 5 | 5,238 | 217,351 |
| Other income | 6 | 8 | 74,417 |
| Expenses | | | |
| Cost of sales | | - | (66,692) |
| Legal and business services | | (370,373) | (564,210) |
| Advertising and marketing expenses | | - | (6,845) |
| Salaries and employment expenses | | (43,718) | (404,773) |
| Depreciation and amortisation expenses | | (7,464) | (22,693) |
| Impairment of goodwill relating to acquisition of MPC | | - | - |
| Share-based payments expenses | | - | 698,398 |
| Finance costs | | - | (58,081) |
| Other expenses | | (119,818) | (229,841) |
| Loss before income tax expense from continuing operations | | (536,127) | (362,969) |
| Income tax expense | 8 | - | - |
| Loss after income tax expense from continued operations | | (536,127) | (362,969) |
| Gain/(Loss) after income tax expense from discontinued operations | 7 | - | 3,065,747 |
| Profit/(Loss) after income tax expense for the year attributable to the owners of Eco Systems Limited | | (536,127) | 2,702,778 |
| Other comprehensive (loss)/income for the year, net of tax | | - | - |
| Total comprehensive (loss)/income for the year attributable to the owners of Eco Systems Limited | | (536,127) | 2,702,778 |
| Total comprehensive (loss)/income for the year is attributable to: | | | |
| Continuing operations | | - | (362,969) |
| Discontinued operations | | (536,127) | 3,065,747 |
| | | (536,127) | 2,702,778 |
| Earnings per share for (loss) from continuing operations attributable to the owners of Eco Systems Limited | | | |
| Basic earnings per share | 25 | (0.79) | (0.54) |
| Diluted earnings per share | 25 | (0.79) | (0.54) |
| Earnings per share for profits from discontinued operations attributable to the owners of Eco Systems Limited | | | |
| Basic earnings per share | 25 | - | 4.54 |
| Diluted earnings per share | 25 | - | 4.54 |
| Earnings per share for profit/(loss) attributable to the owners of Eco Systems Limited | | | |
| Basic earnings per share | 25 | (0.79) | 4.00 |
| Diluted earnings per share | 25 | (0.79) | 4.00 |

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Statement of Financial Position
As at 30 June 2020

| | Note | Consolidated | |
|----------------------------------|------|------------------|------------------|
| | | 2020 | 2019 |
| | | \$ | \$ |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 9 | 18,648 | 114,969 |
| Trade and other receivables | 10 | 19,909 | 23,538 |
| Prepayments | | 31,790 | 51,703 |
| Total current assets | | <u>70,347</u> | <u>190,210</u> |
| Non-current assets | | | |
| Plant and equipment | | - | 7,465 |
| Total non-current assets | | <u>-</u> | <u>7,465</u> |
| Total assets | | <u>70,347</u> | <u>197,675</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 11 | 249,535 | 269,213 |
| Borrowings | 12 | 476,579 | 43,095 |
| Total current liabilities | | <u>726,114</u> | <u>312,308</u> |
| Total liabilities | | <u>726,114</u> | <u>312,308</u> |
| Net liabilities | | <u>(655,767)</u> | <u>(114,633)</u> |
| Equity | | | |
| Issued capital | 14 | 16,497,746 | 16,502,746 |
| Share-based payment reserve | 14 | 2,054,679 | 2,054,679 |
| Accumulated losses | | (19,208,192) | (18,672,058) |
| Total equity/(deficiency) | | <u>(655,767)</u> | <u>(114,633)</u> |

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Statement of Changes In Equity
For the year ended 30 June 2020

| Consolidated | Contributed Equity \$ | Share-based payment reserve \$ | Accumulated losses \$ | Total deficiency in equity \$ |
|--|--------------------------------------|---|--------------------------------------|--|
| Balance at 1 July 2018 | 16,502,746 | 3,080,607 | (21,181,773) | (1,598,420) |
| Adjustment on adoption of AASB 15 | - | - | (331,670) | (331,670) |
| Adjusted Balance at 1 July 2018 | 16,502,746 | 3,080,607 | (21,513,443) | (1,930,090) |
| Profit/(Loss) after income tax expense for the year | - | - | 2,702,778 | 2,702,778 |
| Other comprehensive income for the year, net of tax | - | - | - | - |
| Total comprehensive income for the year | - | - | 2,702,778 | 2,702,778 |
| Share based payments | - | 243,317 | - | 243,317 |
| Options forfeited | - | (1,130,638) | - | (1,130,638) |
| Equity component of convertible notes | - | (138,607) | 138,607 | - |
| Balance at 30 June 2019 | 16,502,746 | 2,054,679 | (18,672,058) | (114,633) |
| Profit/(Loss) after income tax expense for the year | - | - | (536,127) | (536,127) |
| ASX costs associated with issue of convertible notes | (5,000) | - | - | (5,000) |
| Other comprehensive income for the year, net of tax | - | - | - | - |
| Total comprehensive (loss) for the year | - | - | (536,127) | (536,127) |
| Balance at 30 June 2020 | 16,497,746 | 2,054,679 | (19,208,185) | (655,767) |

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Preliminary Final Report

Statement of Cash Flows
For the year ended 30 June 2020

| | Note | Consolidated | |
|---|-------------|----------------------|-----------------------|
| | | 2020 | 2019 |
| | | \$ | \$ |
| Cash flows from operating activities | | | |
| Receipts from customers | | 9,986 | 268,334 |
| Receipts from sub-lessee | | - | 61,409 |
| Payments to suppliers and employees | | <u>(410,792)</u> | <u>(1,746,242)</u> |
| | | (400,806) | (1,416,499) |
| Interest received | | 8 | 223 |
| R&D tax incentive | | - | 109,791 |
| Net cash used by discontinued operations | | <u>-</u> | <u>(1,339,424)</u> |
| Net cash used in operating activities | 24 | <u>(400,798)</u> | <u>(2,645,909)</u> |
| Cash flows from investing activities | | | |
| Proceeds from / (payments made) for disposal of discontinued operations | 7 | <u>(97,006)</u> | <u>100,000</u> |
| Net cash provided by /(used in) investing activities | | <u>(97,006)</u> | <u>100,000</u> |
| Cash flows from financing activities | | | |
| Transaction costs on issue of shares | | (5,000) | (50,000) |
| Proceeds from borrowings | | 449,578 | 2,443,095 |
| Repayment of borrowings | | <u>(43,095)</u> | <u>-</u> |
| Net cash from financing activities | | <u>401,483</u> | <u>2,393,095</u> |
| Net decrease in cash and cash equivalents | | (96,321) | (152,814) |
| Cash and cash equivalents at the beginning of the financial year | | <u>114,969</u> | <u>267,783</u> |
| Cash and cash equivalents at the end of the financial year | 9 | <u><u>18,648</u></u> | <u><u>114,969</u></u> |

Eco Systems Limited
Appendix 4E
Notes to the Preliminary Final Report

Note 1. Going concern

The preliminary final report has been prepared on a going concern basis. This contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

However, during the financial year ended 30 June 2020 the consolidated entity experienced a loss from continued operations before tax of \$536,127 (30 June 2019: \$362,969 loss). At 30 June 2020 the consolidated entity had cash and cash equivalents of \$18,648 (30 June 2019: \$114,969) and net current liabilities, being current assets less current liabilities, of \$655,767 (30 June 2019: Net current liabilities \$114,633). Cash outflows from operating activities during the financial year were \$400,798 (30 June 2019: \$2,645,909)

The ability of the Company to continue as a going concern is dependent upon a number of factors, one being the continuation and availability of funds. The financial statements have been prepared on the basis that the consolidated entity is a going concern, which contemplates the continuity of its business, realisation of assets and the settlement of liabilities in the normal course of business.

In determining that the going concern assumption is appropriate, the Directors have had regard to:

- The ongoing dialogue with the Australian Stock Exchange in seeking approval of the Company's recompliance process to the satisfaction of the ASX that will allow the company to recommence trading on the exchange.
- Upon the successful completion of this process, a planned capital raise and/or rights issue to be completed;
- In the interim, the issuance of a convertible note or equivalent instrument sufficient to facilitate the working capital requirements of the Company while undertaking the capital raise/rights issue process; and,
- The ongoing support of current trade creditors to not call on their current liabilities while this process is being undertaken.

Furthermore in March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout Australia. The spread of COVID-19 has caused significant volatility in Australian, and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on Australia, and international economies and, as such, the Company is unable to determine if it will have a material impact to its operations going forward.

The consolidated entity's ability to continue to operate as a going concern is dependent upon the items listed above. Should these events not occur as anticipated, the consolidated entity may be unable to continue as a going concern and may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

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Notes to the Preliminary Final Report

Note 2. Operating segments

| | Conveyancing \$ | Real Estate Services \$ | Overhead \$ | Total \$ |
|---|--------------------|-------------------------------|------------------|------------------|
| Consolidated - 2020 | | | | |
| Revenue | | | | |
| Sales to external customers | 5,238 | - | - | 5,238 |
| Other revenue | - | - | 8 | 8 |
| Total revenue | <u>5,238</u> | <u>-</u> | <u>8</u> | <u>5,246</u> |
| Expenses | | | | |
| Legal and business services | 16,728 | - | 353,645 | 370,373 |
| Salary and employment expenses | - | - | 43,718 | 43,718 |
| Depreciation and amortisation | 7,464 | - | - | 7,464 |
| Other expenses | 42,738 | - | 77,080 | 119,818 |
| Profit before income tax expense | <u>(61,692)</u> | <u>-</u> | <u>(474,435)</u> | <u>(536,127)</u> |
| Income tax expense | | | | - |
| Profit after income tax expense | | | | <u>(536,127)</u> |
| Assets | | | | |
| Segment assets | 8,757 | - | 61,590 | 70,347 |
| Total assets | | | | <u>50,438</u> |
| Liabilities | | | | |
| Segment liabilities | 2,530 | - | 723,584 | 726,114 |
| Total liabilities | | | | <u>706,205</u> |
| Consolidated - 2019 | | | | |
| Revenue | | | | |
| Sales to external customers | 217,351 | - | - | 217,351 |
| Revenue from discontinued operations | - | 1,122,650 | - | 1,122,650 |
| Gain on disposal of discontinued operations | - | - | 4,025,089 | 4,025,089 |
| Other revenue | - | - | 74,417 | 74,417 |
| Total revenue | <u>217,351</u> | <u>1,122,650</u> | <u>4,099,506</u> | <u>5,439,507</u> |
| Expenses | | | | |
| Cost of sales | 66,692 | - | - | 66,692 |
| Legal and business services | 59,393 | - | 504,817 | 564,210 |
| Advertising and marketing | 1,845 | - | 5,000 | 6,845 |
| Salary and employment expenses | 113,101 | - | 291,672 | 404,773 |
| Depreciation and amortisation | 6,860 | - | 15,833 | 22,693 |
| Impairment of goodwill re MPC acquisition | - | - | - | - |
| Share based payments | - | - | (698,398) | (698,398) |
| Finance costs | 5 | - | 58,076 | 58,081 |
| Expense from discontinued operations | - | 2,081,992 | - | 2,081,992 |
| Other expenses | 38,006 | - | 191,835 | 229,841 |
| Profit before income tax expense | <u>(68,551)</u> | <u>(959,342)</u> | <u>3,730,671</u> | <u>2,702,778</u> |
| Income tax expense | | | | - |
| Profit after income tax expense | | | | <u>2,702,778</u> |
| Assets | | | | |
| Segment assets | 13,014 | - | 184,661 | 197,675 |
| Total assets | | | | <u>197,675</u> |
| Liabilities | | | | |
| Segment liabilities | 133,757 | - | 178,551 | 312,308 |
| Total liabilities | | | | <u>312,308</u> |

Eco Systems Limited
Appendix 4E
Notes to the Preliminary Final Report

Note 3. Income tax

| | Consolidated | |
|--|---------------------|------------------|
| | 2020 | 2019 |
| | \$ | \$ |
| <i>Numerical reconciliation of income tax expense and tax at the statutory rate</i> | | |
| Loss before income tax expense from continuing operations | (536,127) | (362,969) |
| Gain/(Loss) before income tax expense from discontinuing operations | - | 3,065,747 |
| | <u>(536,127)</u> | <u>2,702,778</u> |
| Tax at the statutory tax rate of 27.5% | (147,434) | 743,264 |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Adjustment for non-deductible expenses | - | 94 |
| Share-based payments | - | (192,059) |
| Actual tax expense/(income) | (147,434) | 551,299 |
| Deferred tax balances not recognised | 147,434 | - |
| Utilisation of tax losses | - | (551,299) |
| Income tax expense | <u>-</u> | <u>-</u> |

| | | |
|---|------------------|------------------|
| <i>Tax losses not recognised</i> | | |
| Unused tax losses for which no deferred tax asset has been recognised | 15,175,009 | 14,638,882 |
| Potential tax benefit @ 27.5% | <u>4,065,148</u> | <u>4,025,693</u> |

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

| | | |
|---|----------------|----------------|
| <i>Deferred tax assets not recognised</i> | | |
| Deferred tax assets not recognised comprises temporary differences attributable to: | | |
| Employee benefits | 12,022 | 167 |
| Transaction costs in issued shares | 1,375 | 128,219 |
| Legal costs in business acquisitions | - | 10,170 |
| Other | 134,037 | 11,142 |
| Total deferred tax assets not recognised | <u>147,434</u> | <u>149,699</u> |

The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

Note 4. Current assets - cash and cash equivalents

| | | |
|--------------|---------------|----------------|
| Cash on hand | <u>18,648</u> | <u>114,969</u> |
|--------------|---------------|----------------|