ASX:CVB

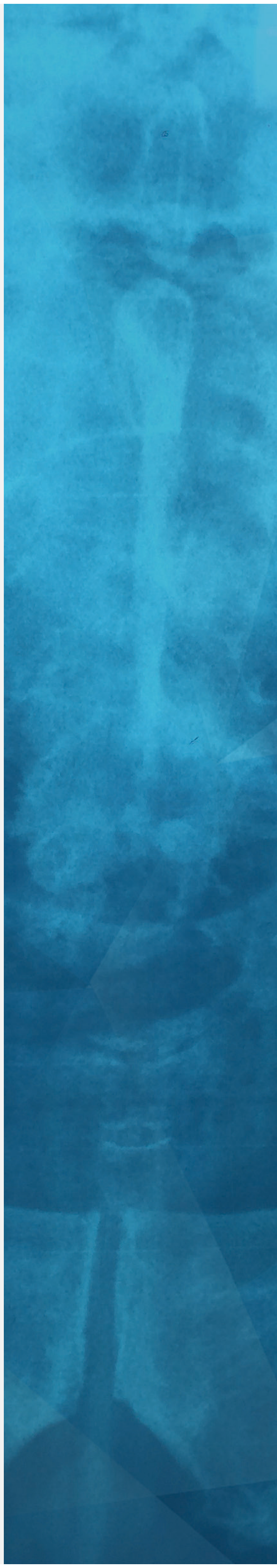
CurveBeam AI Limited
ABN 32 140 706 618
https://curvebeamai.com

CurveBeam AI

ANNUAL REPORT 2023

Corporate Directory

Directors	Rob Lilley (Non-Executive Chair) Greg Brown (Chief Executive Officer and Managing Director) Arun Singh (Executive Director) Kate Robb (Non-Executive Director) Hashan De Silva (Non-Executive Director)
Key Management Personnel	Greg Brown (Chief Executive Officer) Arun Singh (COO, CTO-CT, President US & Europe) Ura Auckland (Chief Financial Officer & Company Secretary) Dr Yu Peng (CTO-AI) S Turner Dean (Chief Sales Officer) Vinti Singh (Vice President Marketing)
Registered office / Principal place of business	Level 10, 10 Queen Street Melbourne VIC 3000
US Operations	2800 Bronze Drive Suite 110 Hatfield PA 19440 USA
Auditor	PricewaterhouseCoopers Level 19 2 Riverside Quay Southbank VIC 3006
Solicitor (Australia)	Johnson Winter & Slattery Level 29 111 Eagle St Brisbane City QLD 4000
Legal Counsel (USA)	Sheppard Mullin 30 Rockefeller Plaza New York, NY 101120015 Phone: +1 2126538700
Stock exchange listing	CurveBeam AI Limited shares are listed on the Australian Securities Exchange (ASX code: CVB)
Website	https://curvebeamai.com/



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Company Highlights

Jul-22

- FDA Award Breakthrough Device status to OssView Bone Fragility Software

Aug-22

- Stryker Distribution Agreement

Oct 22

- Merger between StraxCorp Pty Ltd and CurveBeam LLC completed

Feb 23

- 510K FDA Submission for Ossview Bone Fragility Software Filed
- Second Stage of $25m Pre-IPO raising complete

May 23

- Launch of Stryker Device Packaging Program

Jun 23

- ASX IPO Preparation substantially complete for Aug 23 listing
- Group achieved Pro-Forma Revenue of 11.5m for FY2023 (up 55% from $7.4m in FY2022)

Chair's Report

28 September 2023

As we commence our first year of operations as a listed company, CurveBeam AI's directors and the management team look forward to serving all our shareholders.

On behalf of the Board of Directors and Management of CurveBeam AI Limited (the 'Group' or the 'Company'), I am very pleased to present the Annual Report for the Financial Year ended 30th June 2023, that preceded the closing of the Company's Initial Public Offer ('IPO') and listing on Australian Securities Exchange ('ASX') on 23rd August 2023.

Financial Year 2023 was one of significant developments for the Company:

- The Company completed the merger between StraxCorp Pty Ltd and CurveBeam LLC on 12th October 2022, after a yearlong due diligence and merger process.
- From October 2022 the management team focused on integrating the businesses and refining the Group Strategy and value creation priorities.
- The Group achieved 'Breakthrough Device Designation' with the US FDA for our 'OssView' software that calculates a Structural Fragility Score (SFS) which measures bone microstructural deterioration to aid in the clinical assessment of fracture risk. We then submitted our 510K (Class II) application to FDA for which we are targeting clearance in FY2024.
- The Company achieved Pro-Forma Revenue for the merged group of \$11.5m up 55% from \$7.4m in FY2022.
- With the signing of a Distribution Agreement with Stryker US 'Foot and Ankle' division the Group

prepared its supply chain to be ready to meet demand in FY2024, anticipating the US Stryker launch with financing options for the HiRise.

- The corporate team closed a Pre-IPO Capital Raising to fund the supply chain build up and working capital. We then moved into preparation for the IPO process on the ASX in a very challenging IPO market. This was a significant milestone that bodes well for the Group to target the challenges of building a global business.

These major corporate transactions demanded focus from the Board and management team, and having achieved that level of commitment I am delighted to report that we now move onto the business objectives outlined in the Company's prospectus.

Through the IPO process the Company has taken steps to continue to build an appropriately experienced board to meet the governance requirements of a listed company. The Board is committed to the creation of shareholder value and has worked with Remuneration Governance Advisory experts to establish appropriate oversight of Remuneration Policies and execution. Our first Remuneration Report will be in the Annual Report for FY2024 on the company's first year as a listed company.

As we commence our first year of operations as a listed company, CurveBeam AI's directors and the management team look forward to serving all our shareholders. We are 100% focused on fulfilling the potential of this business that our shareholders have invested in.

Rob Lilley
Chair

Leadership & Governance

Board Members

ROB LILLEY
NON-EXECUTIVE CHAIR

Mr Rob Lilley was appointed to the Board of the Company in 2021 and commenced as Chair in April 2021.

Mr Lilley has over 35 years' experience in the medical device and diagnostics industries. Mr Lilley previously served as senior vice president of global sales and marketing for Digene Corporation (Nasdaq:DIGE), a molecular diagnostics company, which was subsequently acquired by Qiagen N.V. (NYSE:QGEN).

Mr Lilley is currently the Chair of Immunexpress Pty Ltd, an Australian molecular diagnostics company.
Mr Lilley holds a BA from Yale University, U.S.

GREG BROWN
CEO AND MANAGING DIRECTOR

Mr Greg Brown has served as the Chief Executive Officer and Managing Director of CurveBeam since 2014 and was appointed to the Board of the Company in the same year.

Mr Brown has over 35 years' experience in the healthcare industry, with a focus on medical devices (including in vitro diagnostic medical devices) and personalised medicine. Prior to joining CurveBeam, Mr Brown held marketing roles at Baxter Diagnostics. (Australia and United Kingdom), Roche Molecular Systems Inc. (Switzerland and U.S.), Digene Corporation (U.S. and Germany) and ImpediMed (Australia) (ASX:IPD).

Until April 2023, Mr Brown was a director of Australian biotechnology company Immunexpress Pty Ltd. He is also a director of an Australian management consulting company, Cintra Consulting Pty Ltd. He has previously served as a director of Trinity Biotech plc (Nasdaq: TRIB), ImpediMed Limited (ASX:IPD), Impedance Cardiology Systems Inc. (ICS), Minomic International Limited and the University of Queensland's commercialisation company, UniQuest Pty Ltd.

Mr Brown holds a BA in Applied Science and Medical Laboratory Science from Queensland Institute of Technology and an MBA from Warwick Business School, Coventry, England.

Board Members

ARUN SINGH

CHIEF TECHNOLOGY OFFICER (CT)
AND PRESIDENT (US DIVISION);
EXECUTIVE DIRECTOR

Mr Arun Singh has served as President, Americas and Europe, Chief Operating Officer and Chief Technology Officer (CT) of CurveBeam since 2022 (following the merger of the Company with CurveBeam US) and was appointed to the Board of the Company in March 2023.

Mr Singh has over 34 years' experience in the technology industry, with a focus on medical imaging. Since 2009, he has served as President and Chief Executive Officer of CurveBeam US, prior to which Mr Singh co-founded and served as the Vice President and Chief Technology Officer of Imaging Sciences International Inc. (ISI), which was subsequently acquired by Danaher Corporation. While at ISI, Mr Singh was awarded the Lifetime Achievement Award by the American Association of Dental Maxillofacial Radiographic Technicians in 2016 for his visionary contributions to the advancement of cone beam CT.

Mr Singh holds a Masters of Science in Electrical Engineering from Ohio State University and a Bachelor of Science in Electronics and Communication Engineering from the Birla Institute of Technology, India. In 2016, Mr Singh was awarded a Lifetime Achievement Award by the American Association of Dental Maxillofacial Radiographic Technicians for his contributions to the advancement of Cone Beam CT.

KATE ROBB

INDEPENDENT NON-EXECUTIVE DIRECTOR

Ms Kate Robb was appointed to the Board of the Company in April 2023.

Ms Robb has over 25 years' finance, governance, risk management and compliance experience. Ms Robb commenced her career at PwC and has held senior audit and risk roles at United Energy Limited (ASX:UEL), ANZ Banking Group Limited (ASX:ANZ) and AGL Energy Limited (ASX:AGL).

Ms Robb previously served as a non-executive director and chair of the audit committee of unlisted public company Sandringham Community Financial Services Ltd, a Bendigo Bank Community Bank.

Ms Robb was appointed to the board of directors of Solvar Limited (formerly Money3 Corporation Ltd) (ASX:SVR) (SVR) in September 2019. She is also chair of SVR's audit and risk committee and a member of the nominations and remuneration committee over the same time period.

Ms Robb holds a Bachelor of Business (Accounting) from Deakin University, is a member of Chartered Accountants Australia and New Zealand and is a Graduate of the Australian Institute of Company Directors.

Board Members

HASHAN DE SILVA

NON-EXECUTIVE DIRECTOR

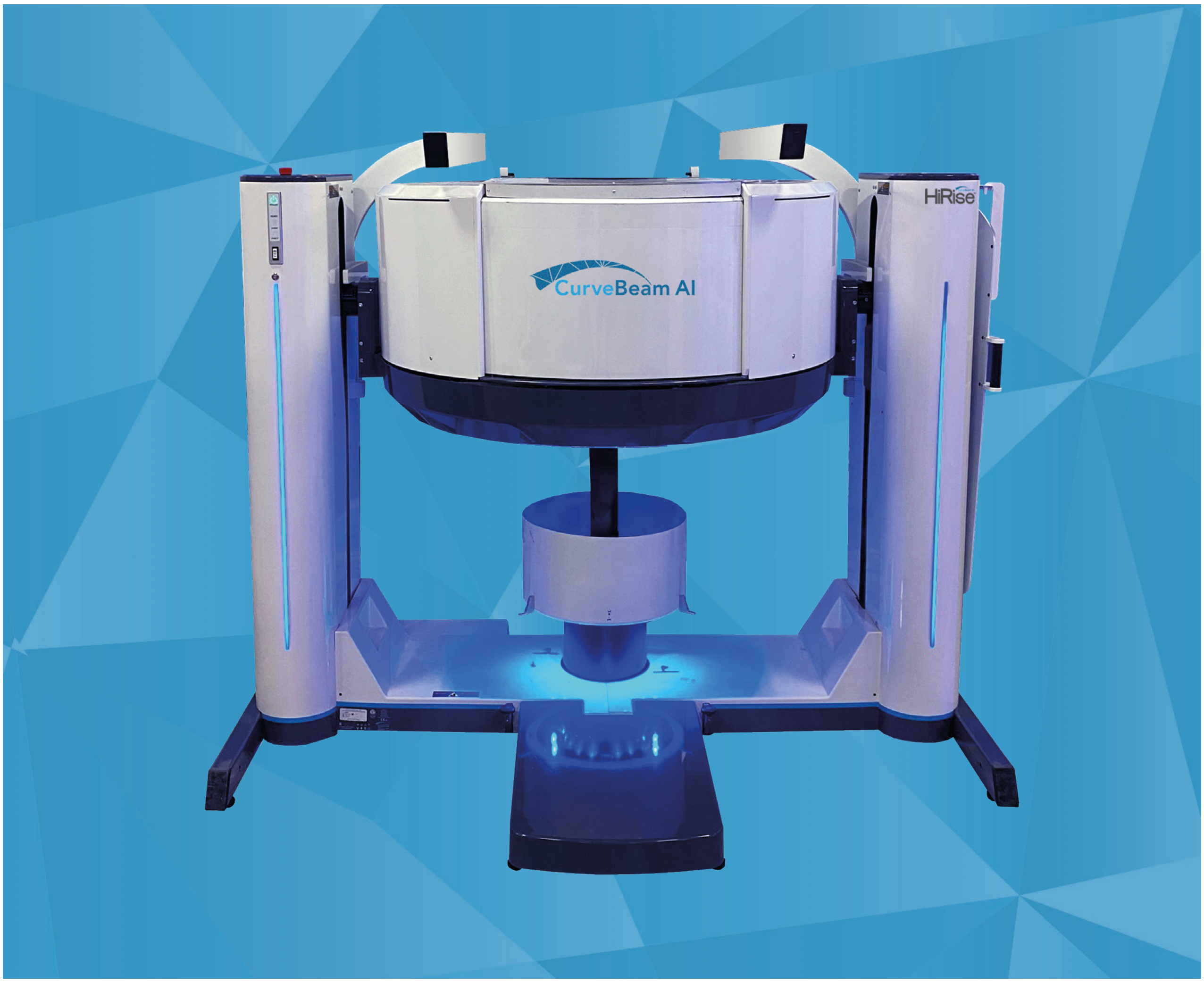
Mr Hashan De Silva was appointed to the Board of the Company in 2021 as a nominee of Karst Peak Capital Limited (Karst Peak).

Mr De Silva is an experienced sell side and buy side investor in the Australian healthcare sector. He is currently the Founder and Managing Partner of KP Rx, a specialist healthcare fund manager focused on innovative healthcare companies based in Australia and New Zealand. Previously he held roles such as the head of healthcare research at Karst Peak, an investment management firm based in Sydney and Hong Kong, which has a focus on biotechnology, health technology, medical devices and diagnostics.

Mr De Silva previously served as an equity research analyst in healthcare at CLSA Limited and at Macquarie Group.

Mr De Silva was appointed to the board of directors of Pharmaxis Limited (ASX:PXS) in January 2023.

Mr De Silva has a BSc (Medicine) and MComm (Finance) from the University of New South Wales and is a Chartered Financial Analyst charter holder from the CFA Institute.



Key Management

Key Management

URA AUCKLAND
CHIEF FINANCIAL OFFICER
AND COMPANY SECRETARY

Mr Ura Auckland joined CurveBeam as Chief Financial Officer and Company Secretary in 2020.

Mr Auckland has nearly 20 years' of experience in senior finance, operations and administrative roles in the technology and healthcare sectors. Mr Auckland was previously the CFO and Company Secretary of ImpediMed Limited (ASX:IPD) and held various roles at PanBio Limited (ASX:PBO), including CFO, Company Secretary and Vice-President – Point of Care.

Mr Auckland holds a Bachelor of Business Accounting from Queensland Institute of Technology and a Graduate Diploma in Company Secretarial Practice from Chartered Secretaries Australia. Mr Auckland has also undertaken the CPA Program with the Australian Society of Certified Practising Accountants and the Senior Executive Program at Columbia University's Business School.

YU PENG
CHIEF TECHNOLOGY
OFFICER - AI

Dr Yu Peng joined CurveBeam AI in 2012 and has served as Chief Technology Officer (AI) since 2021.

Dr Peng has over 15 years' experience in computer vision and machine learning and oversees technical strategy and development at CurveBeam, including medical image analysis, machine learning and cloud computing.

Dr Peng received his PhD in Computer Vision and Machine Learning from the University of Newcastle, Australia. Furthermore, Dr Peng also held a Visiting Professor position (honorary) in Artificial Intelligence (AI) at the University of Technology, Sydney, Australia from 2019 to 2022.

VINTI SINGH
VICE PRESIDENT OF
MARKETING

Ms Vinti Singh joined CurveBeam US in 2012 and has served as Vice President of Marketing following the merger of CurveBeam AI and CurveBeam US in 2022.

Prior to joining CurveBeam US, Ms Singh was a reporter for Hearst Connecticut Media Group. In addition to her role as a reporter, Ms Singh assisted with the launch of Twitter handles for the Hearst Connecticut Media Group and assisted with design strategies and best practices.

Ms Singh has a BA in Journalism from the University of Missouri, U.S. and a Masters of Business Administration from Temple University, U.S. Ms Singh has also completed the Six Sigma Green Belt Certificate Program at Temple University's Fox School of Business and Management.

Key Management

S TURNER DEAN
CHIEF SALES OFFICER

Mr Turner Dean joined CurveBeam US in 2018 as President and Chief Operations Officer of CurveBeam Mobile LLC and has served as Vice President Sales and Chief Sales Officer of the Company since 2022.

Mr Dean has 45 years' experience in the healthcare and software industries. He was previously VP Sales and Director of Business Development for CrossTec Corp., and Executive VP of AZZLY, Inc. Mr. Dean co-founded and sold CrossTec Security (aka Activeworx, Inc.) to Tripwire, Inc. during his tenure at CrossTec Corp.

Mr Dean has a BS in Economics from the University of Wisconsin-Whitewater, U.S.

CurveBeam AI Limited

Financial Statements

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of CurveBeam AI Limited (formerly StraxCorp Pty Ltd) (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2023.

Directors
The following persons were directors of CurveBeam AI Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Names	**Position**
Rob Lilley	Non-Executive Chair
Greg Brown	Chief Executive Officer and Managing Director
Arun Singh	COO, CTO-CT and President (US & Europe Division); Executive Director (appointed 13 March 2023)
Kate Robb	Non-Executive Director (appointed 4 April 2023)
Hashan De Silva	Non-Executive Director
David Seeman	Non-Executive Director (resigned 31 March 2023)

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

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

Principal activities
The principal activities of the Group spanning the full period were the development, validation and preparation for commercialisation of a high resolution peripheral quantitative computed tomography (HR-pQCT) Medical Device and Software as a Service (SaaS) platform to support clinicians in their clinical diagnosis of bone fragility in patients.

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

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

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

Review of operations
Background

Following on from the prior reporting period where the results related to only CurveBeam AI Limited* as a standalone entity, this annual reporting period has seen the completion of the merger, with CurveBeam, LLC ("CurveBeam") of Hatfield PA in the United States, with effect from 12 October 2022.

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

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

Over the past two financial years, CurveBeam AI has undertaken three significant transactions, being two convertible notes capital raisings in 2021 and 2022/2023 as well as the merger with CurveBeam mentioned above. In addition, the Initial Public Offering ("IPO") of the Company's shares on the Australian Securities Exchange ("ASX") was well advanced as at the 30 June 2023 balance date and completed with the allocation of offer shares on 16 August 2023, and the listing on ASX on 23 August 2023.

The convertible note raising in 2022/2023 ("2022 Convertible Note") and the Merger occurred during the financial period to 30 June 2023 ("FY23 period"), however both the convertible note raising in 2021 ("2021 Convertible Note") and the IPO impacted and influenced the pro-forma and statutory results for the FY23 period.

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

Audited Results v Forecast Pro-Forma and Statutory Results in Replacement Prospectus

The Group included a A$11.02m pro-forma revenue forecast for the FY23 period ("Pro-forma Revenue Forecast") in the replacement prospectus lodged with the ASIC on 28 July 2023 for its IPO ("Replacement Prospectus"). The Group is pleased to report that it exceeded the Pro-forma Revenue Forecast by A$0.46m (4%), achieving revenue of A$11.48m for the FY23 period (comprising A$3.43m of pre-merger revenue and A$8.05m of Group revenue), which compares with A$7.42m reported on a pro-forma merged basis in the previous financial year, representing a 55% increase year-on-year.

The Replacement Prospectus also provided both a forecast pro-forma net loss after tax of A$17.43m ("Pro-forma NLAT") and a forecast statutory net loss after tax of A$25.46m ("Statutory NLAT") for the FY23 period.

The Group reports a final Pro-forma NLAT of A$15.26m for the FY23 period, which improved upon the forecast provided in the Replacement Prospectus by A$2.17m (14%) reflecting deferred new initiatives spend. The Group reports an audited Statutory NLAT for the period of A$51.23m, the movement substantially resulted from two one-off, non-cash, non-operational adjustments that created a A$28.30m variance in the result. These adjustments did not impact the Pro-forma NLAT, and relate to:

- the fair value of the Contingent Merger Consideration that had been treated in the proforma balance sheet in the Replacement Prospectus as an adjustment to Goodwill (within the Measurement Period provisions under IFRS 3), but which through further analysis has led to a A$18.93m charge in the Profit and Loss Statement - refer to note 25 and 39 for further information on this A$18.93m adjustment.
- the determination of a value for the embedded derivative represented by the Equity Conversion Right in the 2021 Convertible Notes and 2022 Convertible Notes, but which through further analysis has led to a A$9.37m charge in the Profit and Loss Statement – refer to note 26 for further information on this A$9.37m adjustment.

Reconciliation between Statutory NLAT and Pro-Forma NLAT	$A'm
FY23 Statutory NLAT	(51.23)
Pre-acquisition loss for the period 1 July 2022 to 12 October 2022	(2.32)
Non-cash convertible note interest	4.53
Non-recurring merger costs	5.61
Incremental public company costs	(0.15)
Fair value assessment of contingent consideration	18.93
Fair value assessment of embedded derivative	9.37
FY23 Pro-forma NLAT	(15.26)

Audited Results - Year On Year Analysis

The loss for the Group after providing for income tax amounted to $51.23m (30 June 2022: $8.54m).

This amounts to an increase in net loss of $42.69m, primarily as a result of the following:

- Fair value adjustments amounting to $28.29m, being $18.93m relating to contingent consideration issued on acquisition of CurveBeam LLC (refer to note 25 for more information), and $9.37m relating to the embedded derivative part of the Convertible Notes issued in 2021 and 2022 (refer to note 26 for more information).
- Results from the operations of the acquired entity (CurveBeam LLC) for the period from 12 October 2022 to 30 June 2023 amounting to a loss of $5.76m, made of gross margin contributions of $4.39m offset by operating expenditure of $10.16m.
- Additional $2.91m of finance expenses related to non-cash interest expense on the convertible notes raised in both the current and the comparative period.
- Additional consulting and professional fees of $1.61m, primarily related to the acquisition completed in the period, and the IPO process finalised shortly after period end.
- Depreciation and amortisation increased by $1.59m, primarily related to the amortisation of intangibles acquired from the CurveBeam acquisition completed during the period.
- Additional HR wages expense of $0.52m as a result of the growth of the Group's operations, as well as $0.79m of additional share based payments expense, primarily related to options and rights issued in relation to the IPO.
- Additional IP costs of $0.30m, related to IP renewal costs being expensed to the profit or loss statement, which were previously capitalised.
- Additional travel costs of $0.23m, related to increase in travel post easing of COVID related travel restrictions.
- Other corporate and administrative cost increases of around $0.68m, related to growth of the Group's operations.

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

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

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

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

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

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

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

- amendments relating to the new company constitution approved at the shareholder EGM on 15 August 2022.
- extending the base maturity date by 4 months.
- expanding permitted uses of funds to include those related to the Merger.
- permitting the Company to provide funding to CurveBeam prior to completion on terms permitted by a board special majority.
- expanding permitted encumbrances to include those over CurveBeam's assets at the date of the merger agreement, and in the ordinary course of business up until closing to a maximum value of $500,000.
- permitting director loans of up to $2 million.
- Upon completion of the merger:

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

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

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

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

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

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

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

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

On 21 March 2023, the Group entered into an agreement to acquire the CT device marketing and distribution rights from a German based distributor for a gross amount of €435,000 ($703,045 AUD).

There were no other significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year
On 23 August 2023, CurveBeam AI Limited ('CVB') was admitted to the Official List of ASX Limited ('ASX'). Official quotation of CVB's ordinary fully paid shares commenced at 11:00 AM AEST on 23 August 2023, following completion of its Initial Public Offer for $25 million.

Immediately prior to the allotment of the shares offered under the IPO on 16 August 2023, 440,670 convertible notes and their accrued interest converted into 144,011,473 fully paid ordinary shares and 54,473,895 fully paid ordinary shares were issued to the former stockholders of CurveBeam LLC.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations
Information on likely developments in the operations of the Group and the expected results of operations have been detailed in the review of operations section within this directors' report, to the extent such matters can be commented upon.

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

Information on directors

Name:	Rob Lilley
Title:	Non-Executive Chair
Other current directorships:	Immunexpress Pty Ltd
Former directorships (last 3 years):	n/a
Special responsibilities:	Member of both Nominating and Remuneration Committee and Audit and Risk Committee
Interests in shares:	2,952,217 fully paid ordinary shares (2,902,217 subject to ASX escrow)
Interests in options:	99,206 Noteholder Options, with an exercise price of $0.6720 and an expiry date of 21 August 2025 1,467,530 Plan Options, with an exercise price of $0.543 and expiry date of 11 May 2029 360,000 Plan Options with an exercise price of $0.325 and expiry date of 11 May 2029
Interests in rights:	31,250 share rights

Name:	Greg Brown
Title:	Chief Executive Officer and Managing Director
Other current directorships:	n/a
Former directorships (last 3 years):	n/a
Interests in shares:	18,869,624 fully paid ordinary shares (17,307,124 subject to ASX escrow)
Interests in options:	496,030 Noteholder Options, with an exercise price of $0.6720 and an expiry date of 21 August 2025 964,286 Plan Options, with an exercise price of $0.8016 and expiry date of 16 August 2029 3,261,724 Plan Options, with an exercise price of $0.543 and expiry date of 11 May 2029 17,900 options with an exercise price of $0.16 each and an expiry date of 21 June 2024

Name:	Arun Singh
Title:	Chief Technology Officer (CT) and President (US & Europe Division); Executive Director
Other current directorships:	n/a
Former directorships (last 3 years):	n/a
Interests in shares:	41,082,279 fully paid ordinary shares (40,040,612 subject to ASX escrow)
Interests in options:	530,481 Plan Options, with an exercise price of $0.8016 and expiry date of 16 August 2029

Name:	Kate Robb
Title:	Independent Non-executive Director
Other current directorships:	ASX: SVR
Former directorships (last 3 years):	n/a
Special responsibilities:	Chair of Audit and Risk Committee
Interests in shares:	25,000 fully paid ordinary shares
Interests in options:	1,000,000 Plan Options, with an exercise price of $0.543 and expiry date of 11 May 2029 46,875 Plan Options, with a zero exercise price, expiry date of 16 August 2029

Name:	Hashan De Silva
Title:	Non-executive Director
Other current directorships:	ASX: PXS (since January 2023)
Former directorships (last 3 years):	n/a
Special responsibilities:	Chair of Nomination and Remuneration Committee, member of Audit and Risk Committee
Interests in shares:	874,978 fully paid ordinary shares (773,713 subject to ASX escrow)
Interests in options:	124,007 Noteholder Options, with an exercise price of $0.6720 and an expiry date of 21 August 2025 2,058,824 Plan Options, with an exercise price of $0.543 and expiry date of 11 May 2029 46,875 Plan Options, with a zero exercise price, expiry date of 16 August 2029

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Meetings of directors
The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2023, and the number of meetings attended by each director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Rob Lilley	20	20	3	3	2	2
Greg Brown	20	20	-	-	-	-
Arun Singh	7	8	-	-	-	-
Hashan De Silva	20	20	3	3	1	2
Kate Robb	7	7	-	-	2	2
David Seeman	10	13	2	3	-	-

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Unvested ordinary shares and share rights
Unvested ordinary shares and shares rights of CurveBeam AI Limited as of reporting date are as follows:

Grant Date	Expiry Date	Exercise price	Number of shares
6 October 2022*	5 October 2027	$0.3250	858,000
6 October 2022*	4 October 2028	$0.3250	259,000
6 October 2022*	5 October 2029	$0.3250	259,000
6 October 2022*	28 September 2032	$0.3250	1,090,000
16 August 2023**	16 August 2033	$0.0000	582,611
			3,048,611

* These shares were originally issued as Class A shares during the year ended 30 June 2023. As a part of the listing on the ASX, these have been converted to ordinary shares, however they are still subject to the original vesting conditions.

** These are share rights issued on completion of the IPO on the ASX. The Rights vest subject to continuous engagement with the Group over a two-year period with 50% of Rights vesting on the first anniversary of the grant date and the remaining 50% of the Rights vesting on the second anniversary of the grant date

Shares under option

Unissued ordinary shares of CurveBeam AI Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
15 April 2016	15 April 2024	$0.1600	3,400
15 April 2016	15 June 2024	$0.1600	56,800
15 April 2016	21 June 2024	$0.1600	35,800
16 April 2017	31 October 2024	$0.1600	45,900
2 July 2018	2 July 2024	$0.1600	3,300
2 July 2018	2 July 2025	$0.1600	3,400
10 May 2023	11 May 2029	$0.5430	10,234,372
10 May 2023	11 May 2029	$0.3250	360,000
16 August 2023	16 August 2029	$0.8016	5,853,943
24 February 2023	23 August 2025	$0.6720	12,400,763
16 August 2023	16 August 2029	$0.0000	93,750
			29,091,428

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of options

The following ordinary shares of CurveBeam AI Limited were issued during the year ended 30 June 2023 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
15 April 2016	$0.1600	65,800
15 April 2016	$0.1000	5,100
16 April 2017	$0.3200	186,900
		257,800

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor
The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 36 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 36 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:
- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former partners of PricewaterhouseCoopers
There are no officers of the company who are former partners of PricewaterhouseCoopers.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor
PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Greg Brown	Rob Lilley
Chief Executive Officer and Managing Director	Non-Executive Chair

28 September 2023

Auditor's Independence Declaration

As lead auditor for the audit of CurveBeam AI Limited for the year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of CurveBeam AI Limited and the entities it controlled during the period.

Jon Roberts
Partner
PricewaterhouseCoopers

Melbourne
28 September 2023

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T: +61 3 8603 1000, F: +61 3 8603 1999, www.pwc.com.au

CurveBeam AI Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2023

	Note	Consolidated 2023 $	2022 $
Revenue			
Revenue	5	8,055,193	-
Cost of sales	6	(3,661,865)	-
Gross profit		4,393,328	-
Other income	7	1,555,110	1,672,388
Expenses			
Consultant and professional expenses	8	5,965,472	3,791,303
Human resource expenses	9	10,792,563	2,957,004
Finance expenses	10	5,730,709	2,660,064
Administrative, insurance and information technology expenses	11	891,785	350,966
Occupancy costs		154,096	70,248
Travel and entertainment expenses		870,409	131,941
Research and development external expenditure		588,208	300
Depreciation and amortisation expense		1,979,822	203,185
Marketing expenses		1,431,611	22,563
Product and market registration expenses		249,985	12,894
IP costs		301,416	16,485
Other expenses		(75,552)	81
Fair value of contingent consideration	25	18,925,734	-
Fair value of embedded derivatives	26	9,368,934	-
Total expenses		57,175,192	10,217,034
Loss before income tax expense		(51,226,754)	(8,544,646)
Income tax expense	12	-	-
Loss after income tax expense for the year attributable to the owners of CurveBeam AI Limited	31	(51,226,754)	(8,544,646)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		1,349,276	-
Other comprehensive income for the year, net of tax		1,349,276	-
Total comprehensive income for the year attributable to the owners of CurveBeam AI Limited		(49,877,478)	(8,544,646)
		Cents	Cents
Basic earnings per share	44	(88.39)	(24.52)
Diluted earnings per share	44	(88.39)	(24.52)

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

CurveBeam AI Limited
Statement of financial position
As at 30 June 2023

	Note	Consolidated 2023 $	2022 $
Assets			
Current assets			
Cash and cash equivalents	13	5,157,621	8,698,649
Trade and other receivables	14	4,177,538	1,548,003
Inventories	15	8,660,822	-
Other assets	17	1,479,927	947,973
Total current assets		19,475,908	11,194,625
Non-current assets			
Property, plant and equipment	18	133,186	26,763
Right-of-use assets	16	1,012,455	-
Intangible assets	19	40,718,392	559,905
Other assets	17	23,513	11,044
Total non-current assets		41,887,546	597,712
Total assets		61,363,454	11,792,337
Liabilities			
Current liabilities			
Trade and other payables	20	5,526,934	831,325
Borrowings	21	1,073,855	856,655
Lease liabilities	22	279,852	-
Provisions	23	775,502	311,561
Contract liabilities	24	4,031,198	-
Contingent consideration	25	27,122,117	-
Total current liabilities		38,809,458	1,999,541
Non-current liabilities			
Borrowings	21	12,639,218	-
Lease liabilities	22	851,871	-
Provisions	23	21,059	21,372
Other financial liabilities	26	57,142,113	20,197,867
Total non-current liabilities		70,654,261	20,219,239
Total liabilities		109,463,719	22,218,780
Net liabilities		(48,100,265)	(10,426,443)
Equity			
Issued capital	27	17,358,996	7,313,539
Share-based payment reserves	28	1,280,110	355,582
Embedded derivative reserve	29	1,224,952	-
Foreign currency translation reserve	30	1,349,276	-
Accumulated losses	31	(69,313,599)	(18,095,564)
Total deficiency in equity		(48,100,265)	(10,426,443)

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

Consolidated	Issued capital $	Share-based payment reserves $	Accumulated losses $	Total deficiency in equity $
Balance at 1 July 2021	6,991,485	425,711	(9,630,243)	(2,213,047)
Loss after income tax expense for the year	-	-	(8,544,646)	(8,544,646)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(8,544,646)	(8,544,646)
Transactions with owners in their capacity as owners:				
Transfer of convertible note raising costs to balance sheet	40,000	-	-	40,000
Share-based payments (note 45)	-	206,898	-	206,898
Shares issued on exercise of options (note 27)	84,352	-	-	84,352
Transfer of options exercised to issued capital (note 27)	197,702	(197,702)	-	-
Transfer of expired options to accumulated losses (note 31)	-	(79,325)	79,325	-
Balance at 30 June 2022	7,313,539	355,582	(18,095,564)	(10,426,443)

Consolidated	Issued capital $	Share based payments reserves $	Embedded derivative reserve $	Foreign currency translation reserve $	Accumulated losses $	Total deficiency in equity $
Balance at 1 July 2022	7,313,539	355,582	-	-	(18,095,564)	(10,426,443)
Loss after income tax expense for the year	-	-	-	-	(51,226,754)	(51,226,754)
Other comprehensive income for the year, net of tax	-	-	-	1,349,276	-	1,349,276
Total comprehensive income for the year	-	-	-	1,349,276	(51,226,754)	(49,877,478)
Transactions with owners in their capacity as owners:						
Share-based payments (note 45)	-	992,483	-	-	-	992,483
Shares issued on exercise of options (note 27)	70,888	-	-	-	-	70,888
Transfer of options exercised to issued capital (note 27)	59,236	(59,236)	-	-	-	-
Shares issued on acquisition of business (note 39)	10,212,167	-	-	-	-	10,212,167
Additional conversion options from issue of convertible notes (note 26)	-	-	1,312,673	-	-	1,312,673
Transfer of expired options to accumulated losses (note 31)	-	(8,719)	-	-	8,719	-
Cost of capital raising incurred during the year (note 27)	(296,834)	-	(87,721)	-	-	(384,555)
Balance at 30 June 2023	17,358,996	1,280,110	1,224,952	1,349,276	(69,313,599)	(48,100,265)

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

	Note	Consolidated 2023 $	2022 $
Cash flows from operating activities			
Receipts from customers		6,827,699	-
Receipts for R&D tax offset		1,438,257	651,684
Interest received		112,634	11,491
Interest paid		(164,556)	(288,419)
Payments to suppliers and employees		(29,888,124)	(8,365,568)
Net cash used in operating activities	42	(21,674,090)	(7,990,812)
Cash flows from investing activities			
Purchase of property, plant and equipment	18	(139,405)	(52,803)
Payment for intangible asset	19	(703,045)	(204,135)
Payments for security deposits		(117,162)	-
Cash acquired on acquisition of business		96,412	-
Related party promissory note paid		(3,237,574)	-
Net cash used in investing activities		(4,100,774)	(256,938)
Cash flows from financing activities			
Proceeds from the issue of convertible notes (net of transactions costs)		23,326,107	15,829,497
Proceeds from/(repayments of) related party loans		122,688	100,000
Proceeds from R&D loan		-	952,520
Proceeds from exercise of option		70,888	84,351
Costs of the IPO capitalised to equity		(136,405)	-
Repayment of convertible notes		(96,890)	-
Payment of lease liabilities		(176,515)	-
Repayments of R&D and insurance premium funding loans		(856,655)	(447,324)
Net cash from financing activities		22,253,218	16,519,044
Net increase/(decrease) in cash and cash equivalents		(3,521,646)	8,271,294
Cash and cash equivalents at the beginning of the financial year		8,698,649	202,399
Effects of exchange rate changes on cash and cash equivalents		(19,382)	224,956
Cash and cash equivalents at the end of the financial year	13	5,157,621	8,698,649

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

Note 1. General information

The financial statements cover CurveBeam AI Limited as a Group consisting of CurveBeam AI Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is CurveBeam AI Limited's functional and presentation currency.

CurveBeam AI Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office / Principal place of business	US operations
Level 10, 10 Queen Street Melbourne VIC 3000	2800 Bronze Drive Suite 110 Hatfield PA 19440 USA

Principal activities

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

Following on from the completion of the acquisition of CurveBeam LLC on 12 October 2022, the principal activities of the Group expanded to include the research, design, manufacture and sale of cone beam CT imaging equipment for orthopaedic specialties, including the bilateral weightbearing CT imaging system, HiRise.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 September 2023. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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

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

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

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

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Note 2. Significant accounting policies (continued)

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 38.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of CurveBeam AI Limited ('company' or 'parent entity') as at 30 June 2023 and the results of all subsidiaries for the year then ended. CurveBeam AI Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

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

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

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

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

Foreign currency translation
The financial statements are presented in Australian dollars, which is CurveBeam AI Limited's functional and presentation currency.

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

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

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

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

Note 2. Significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

Derivative financial instruments
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

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

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

Note 2. Significant accounting policies (continued)

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

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2023. The Group has assessed that these are not likely to have a material impact on the Group's operations.

Going Concern
The Directors of the Group have prepared this financial report on the basis that the Group will continue to operate as a going concern and that the debts of the business will continue to be settled as and when they fall due. The Group recorded a net loss before tax for the year ended 30 June 2023 of $51,226,754 (June 2022: $8,544,646). The Group had net liabilities of $48,100,265 as at 30 June 2023 (June 2022: net liabilities of $10,426,443).

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

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

- the Group obtaining continued equity funding, which subsequent to year end included completion of its initial public offering on the ASX through which the Company raised A$25 million and improved access to capital markets. Refer to note 41 for additional details.
- the conversion of the convertible notes into shares upon listing on the ASX. In concert with the initial public offering noted above, convertible notes converted into ordinary shares as detailed at note 41 . The convertible notes had a liability balance of $57,142,113 as at 30 June 2023. The majority of the contingent consideration detailed at note 25 also converted into ordinary shares upon listing on the ASX. The contingent consideration had a balance of $27,122,117 as at 30 June 2023.
- the successful commercial development of the intangible assets of the Group. In the mid-term the Group will balance generating increased margins from revenue growth, investment in expansion and access to further capital as a listed company if necessary.

As a result of these matters, the Group expects its existing cash reserves and normal cash flows over the next 12 months from the date of signing to be sufficient to continue as a going concern.

Adjustments made subsequent to the lodgement of the ASX Appendix 4E
Subsequent to the lodgement of the ASX Appendix 4E:

Loss after tax decreased by $821,841 due to:
- decrease in Human Resource expenses of $821,841

Note 2. Significant accounting policies (continued)

Net liability decreased (increase in net assets) by $830,038 due to:
- Decrease in trade and other payables of $830,038
- Increase in current borrowings of $994,028
- Decrease in non-current borrowings of $994,028

Note 3. Critical accounting judgements, estimates and assumptions

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

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

Allowance for expected credit losses
The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Goodwill and other indefinite life intangible assets
The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Warranty provision
In determining the level of provision required for warranties the Group has made judgements in respect of the expected performance of the products, the number of customers who will actually claim under the warranty and how often, and the costs of fulfilling the conditions of the warranty. The provision is based on estimates made from historical warranty data associated with similar products and services.

Business combinations
As discussed in note 39, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 4. Operating segments

Identification of reportable operating segments
The Group has one operating segment, being the research, design, manufacture and sale of cone beam CT imaging equipment for orthopaedic specialties, which includes the development, validation and preparation for commercialisation of a HRpQCT Medical Device and Software as a Service (SaaS) platform.
However it operates across two geographical regions, being the United States and Australia. These operating segments are based on the internal reports that are reviewed and used by the Chief Executive Officer (who is identified as the Chief Operating Decision Maker ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

Intersegment receivables, payables and loans
Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Geographical information

	Sales to external customers		Geographical non-current assets	
	2023 $	2022 $	2023 $	2022 $
United States of America	8,055,193	-	40,624,997	-
Australia	-	-	1,262,549	597,712
	8,055,193	-	41,887,546	597,712

The geographical non-current assets above are exclusive of, where applicable, financial instruments, deferred tax assets, post-employment benefits assets and rights under insurance contracts.

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

Note 5. Revenue

	Consolidated	
	2023 $	2022 $
Sales of devices	6,097,860	-
Warranty service	1,104,273	-
Other operating revenue	853,060	-
	8,055,193	-

	Consolidated	
Timing of revenue recognition	2023 $	2022 $
Revenue at a point in time	6,950,920	-
Revenue over time	1,104,273	-
	8,055,193	-

Note 5. Revenue (continued)

Accounting policy for revenue recognition

(i) Revenue from contracts with customers

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Group expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:
1. Identify the contract with the customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue as and when control of the performance obligations is transferred

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

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

(ii) Extended warranty revenue

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

Note 6. Cost of sales

	Consolidated	
	2023 $	2022 $
Direct material costs	2,864,425	-
Other direct costs	550,796	-
Indirect warranty costs	66,441	-
Freight costs	180,203	-
	3,661,865	-

Note 7. Other income

	Consolidated	
	2023 $	2022 $
Research and development tax incentives	1,518,022	1,435,941
Interest income	39,525	11,482
Realised foreign currency gains/(losses)	23,122	17,391
Unrealised foreign currency gains/(losses)	(25,559)	207,574
Other income	1,555,110	1,672,388

Note 7. Other income (continued)

Accounting policy for other income

(i) Grant revenue (including research and development tax incentives)

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

(ii) Other income

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

(iii) Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

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

Note 8. Consultant and professional expenses

	Consolidated	
	2023 $	2022 $
Consulting and contracting	1,144,360	1,324,904
Professional fees	4,821,112	2,466,399
	5,965,472	3,791,303

Note 9. Human resource expenses

	Consolidated	
	2023 $	2022 $
Human resource remuneration	8,504,140	2,386,893
Human resource on-costs	1,295,940	363,213
Share-based payments	992,483	206,898
	10,792,563	2,957,004

Note 10. Finance expenses

	Consolidated	
	2023 $	2022 $
Interest on convertible notes	4,568,699	2,166,327
Amortisation of capital raising costs	902,226	392,043
Other finance charges	259,784	101,694
	5,730,709	2,660,064

Note 11. Administrative, insurance and information technology expenses

	Consolidated 2023 $	Consolidated 2022 $
Administrative expenses	46,666	1,462
Information technologies and systems	554,036	242,962
Insurance expense	291,083	106,542
	891,785	350,966

Note 12. Income tax expense

	Consolidated 2023 $	Consolidated 2022 $
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(51,226,754)	(8,544,646)
Tax at the statutory tax rate of 25% (2022: 30%)	(12,806,689)	(2,563,394)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Costs of capital raising and merger costs	2,871,836	-
Fair value movement of financial liabilities	7,073,667	-
Share-based payments	248,121	62,069
Research and development	439,864	485,749
Research and development tax credit	(379,506)	-
Blackhole expenditure	(428,917)	-
Unrealised currency gains	-	(62,272)
Other temporary and permanent differences	445,114	124
	(2,536,510)	(2,077,724)
Current year tax losses not recognised	2,536,510	2,077,724
Income tax expense	-	-

	Consolidated 2023 $	Consolidated 2022 $
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	19,704,277	11,884,547
Potential tax benefit @ 25%	4,926,069	2,971,137

	Consolidated 2023 $	Consolidated 2022 $
Deferred tax assets and liabilities		
Deferred tax assets and liabilities comprises temporary differences attributable to:		
Tax losses	1,459,379	-
Intangible assets acquired during the year	(1,459,379)	-
Net deferred tax assets / liabilities	-	-

Note 12. Income tax expense (continued)

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

Accounting policy for income tax benefit

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

Note 13. Cash and cash equivalents

	Consolidated	
	2023 $	2022 $
Current assets		
Cash and cash equivalents	5,157,621	8,698,649

Accounting policy for cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 14. Trade and other receivables

	Consolidated	
	2023 $	2022 $
Current assets		
Trade receivables	2,704,002	-
Less: Loss allowance	(191,283)	-
	2,512,719	-
Research and development tax incentive receivable	1,518,022	1,487,106
GST receivable	146,797	60,897
	1,664,819	1,548,003
	4,177,538	1,548,003

Note 14. Trade and other receivables (continued)

Allowance for expected credit losses
The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

Consolidated	Expected credit loss rate 2023 %	Expected credit loss rate 2022 %	Carrying amount 2023 $	Carrying amount 2022 $	Allowance for expected credit losses 2023 $	Allowance for expected credit losses 2022 $
Not overdue	4%	-	2,482,168	1,548,003	57,820	-
0 to 3 months overdue	4%	-	1,250,821	-	88,484	-
3 to 6 months overdue	4%	-	38,856	-	2,749	-
Over 6 months overdue	4%	-	596,976	-	42,230	-
			4,368,821	1,548,003	191,283	-

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

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

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Note 15. Inventories

	Consolidated 2023 $	Consolidated 2022 $
Current assets		
Raw materials - at cost	5,499,503	-
Work in progress - at cost	18,755	-
Finished goods - at cost	3,142,564	-
	8,660,822	-

Accounting policy for inventories
Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

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

Note 16. Right-of-use assets

	Consolidated 2023 $	2022 $
Non-current assets		
Land and buildings - right-of-use	1,600,987	-
Less: Accumulated depreciation	(588,532)	-
	1,012,455	-

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

Consolidated	Land and buildings $	Total $
Balance at 1 July 2021	-	-
Balance at 30 June 2022	-	-
Additions	840,145	840,145
Additions through business combinations (note 39)	364,358	364,358
Exchange differences	(16,724)	(16,724)
Depreciation expense	(175,324)	(175,324)
Balance at 30 June 2023	1,012,455	1,012,455

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

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

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

Note 17. Other assets

	Consolidated 2023 $	2022 $
Current assets		
Prepayments	1,324,111	221,188
Other deposits	155,816	-
Devices deposits	-	726,785
	1,479,927	947,973
Non-current assets		
Rent security deposit	23,513	11,044
	1,503,440	959,017

Note 18. Property, plant and equipment

	Consolidated 2023 $	2022 $
Non-current assets		
Leasehold improvements - at cost	9,870	-
Less: Accumulated depreciation	(823)	-
	9,047	-
Tooling - at cost	975,922	-
Less: Accumulated depreciation	(937,771)	-
	38,151	-
Computer equipment - at cost	281,158	52,803
Less: Accumulated depreciation	(226,412)	(26,040)
	54,746	26,763
Furniture, fixtures and fittings - at cost	156,238	30,265
Less: Accumulated depreciation	(124,996)	(30,265)
	31,242	-
Computer software - at cost	13,950	13,950
Less: Accumulated depreciation	(13,950)	(13,950)
	-	-
	133,186	26,763

Note 18. Property, plant and equipment (continued)

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

Consolidated	Computer equipment $	Computer software $	Furniture, fixtures and fittings $	Tools $	Leasehold Improvements $	Total $
Balance at 1 July 2021	-	5,347	-	-	-	5,347
Additions	52,803	-	-	-	-	52,803
Depreciation expense	(26,040)	(5,347)	-	-	-	(31,387)
Balance at 30 June 2022	26,763	-	-	-	-	26,763
Additions	83,015	-	46,520	-	9,870	139,405
Additions through business combinations (note 39)	15,713	-	106,798	55,640	-	178,151
Exchange differences	(3,701)	-	(3,940)	(626)	-	(8,267)
Write off of assets	-	-	(90,523)	-	-	(90,523)
Depreciation expense	(67,044)	-	(27,613)	(16,863)	(823)	(112,343)
Balance at 30 June 2023	54,746	-	31,242	38,151	9,047	133,186

Accounting policy for property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Computer equipment	1-3 years
Office furniture	1-5 years
Tools	7 years
Leasehold Improvement	1-5 years

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

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

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Note 19. Intangible assets

	Consolidated 2023 $	2022 $
Non-current assets		
Goodwill - at cost	20,180,303	-
Patents – Strax Fam's 1 to 5 - at cost	780,069	780,069
Less: Accumulated amortisation	(686,487)	(630,153)
	93,582	149,916
Patents – Regulatory Approvals - at cost	34,128	34,128
Less: Accumulated amortisation	(34,128)	(34,128)
	-	-
Patents – AI - at cost	497,899	495,478
Less: Accumulated amortisation	(181,549)	(85,489)
	316,350	409,989
Brand - at cost	1,999,681	-
Less: Accumulated amortisation	(142,991)	-
	1,856,690	-
Intellectual Property - at cost	16,780,418	-
Less: Accumulated amortisation	(1,199,915)	-
	15,580,503	-
Strategic Distribution Agreement - at cost	1,369,797	-
Less: Accumulated amortisation	(97,950)	-
	1,271,847	-
Permits - at cost	819,646	-
Less: Accumulated amortisation	(58,610)	-
	761,036	-
Marketing and Distribution Rights - Cost	705,087	-
Less: Accumulated amortisation	(47,006)	-
	658,081	-
	40,718,392	559,905

Note 19. Intangible assets (continued)

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

Consolidated	Patents $	Brand $	IP $	Strategic Distribution Agreement $	Permits $	Marketing and distribution rights $	Goodwill $	Total $
Balance at 1 July 2021	527,568	-	-	-	-	-	-	527,568
Additions	204,135	-	-	-	-	-	-	204,135
Amortisation expense	(171,798)	-	-	-	-	-	-	(171,798)
Balance at 30 June 2022	559,905	-	-	-	-	-	-	559,905
Additions	-	-	-	-	-	703,045	-	703,045
Additions through business combinations (note 39)	-	1,999,681	16,780,418	1,369,797	819,646	-	20,180,303	41,149,845
Exchange differences	(1,460)	-	-	-	-	(788)	-	(2,248)
Amortisation expense	(148,513)	(142,991)	(1,199,915)	(97,950)	(58,610)	(44,176)	-	(1,692,155)
Balance at 30 June 2023	409,932	1,856,690	15,580,503	1,271,847	761,036	658,081	20,180,303	40,718,392

Impairment test for goodwill

Goodwill has been allocated to the sole group CGU segment for impairment testing.

Goodwill and indefinite life intangible assets, being intellectual property, were acquired as part of the acquisition of CurveBeam LLC on 12 October 2022 (see note 39).
The Directors have determined the recoverable amount by assessing the fair value less costs of disposal (FVLCOD) of the underlying assets. The valuation is considered to be level 3 in the fair value hierarchy due to unobservable inputs used in the valuation.
The Directors have identified no impairment indicators since acquisition and note the following factors in their assessment:

- The acquisition was an arms-length transaction.
- There have been no significant changes in the business since acquisition.
- The post balance sheet date IPO price of 48 cents.

Note 19. Intangible assets (continued)

Accounting policy for intangibles

(i) Goodwill

Goodwill is measured as described in note 39. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

(ii) Amortisation methods and useful lives

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

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

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

(iii) Patents and trademarks

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

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

The brand, intellectual property, strategic distribution agreement and permit intangible assets were acquired as part of a business combination (see note 39 for details). They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line basis over their estimated useful lives.

(v) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Note 20. Trade and other payables

	Consolidated	
	2023	2022
	$	$
Current liabilities		
Trade payables	2,422,291	92,351
Sales tax payable	1,052,298	-
Accruals	1,205,092	651,743
Payroll and related liabilities	847,253	87,231
	5,526,934	831,325

Refer to note 33 for further information on financial instruments.

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

Note 21. Borrowings

	Consolidated	
	2023	2022
	$	$
Current liabilities		
Loan from related parties	1,073,855	-
Loan for insurance premium funding	-	102,033
Loan against R&D tax incentive(a)	-	754,622
	1,073,855	856,655
Non-current liabilities		
Loan from related parties	12,639,218	-
	13,713,073	856,655

Refer to note 33 for further information on financial instruments.

As at 30 June 2023, a subsidiary of the Group had a loan payable to Arun Singh, the COO of the Group, amounting to $13,713,073.

The loan is not secured over any assets or property of the subsidiary. It is repayable by the subsidiary on a quarterly basis, and required to be settled in full by 19 June 2033. Interest accrues on the principal amount at 3.72% per annum, compounded monthly. The value of the related party loan at year end approximates fair value.

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

Note 22. Lease liabilities

	Consolidated 2023 $	Consolidated 2022 $
Current liabilities		
Lease liability	279,852	-
Non-current liabilities		
Lease liability	851,871	-
	1,131,723	-

Refer to note 33 for further information on financial instruments.

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

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

Note 23. Provisions

	Consolidated 2023 $	Consolidated 2022 $
Current liabilities		
Employee provisions	370,314	311,561
Provision for warranty	405,188	-
	775,502	311,561
Non-current liabilities		
Provision for long service leave	21,059	21,372
	796,561	332,933

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

Note 23. Provisions (continued)

Accounting policy for employee benefits

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

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

Note 24. Contract liabilities

	Consolidated	
	2023	2022
	$	$
Current liabilities		
Customer deposits	808,641	-
Deferred warranty	3,012,290	-
Other contract liabilities	210,267	-
	4,031,198	-

	Consolidated	
	2023	2022
	$	$
	-	-
Balance acquired on acquisition of subsidiary	6,228,896	-
Release of revenue recognised in period	(7,824,718)	-
Additional deposits received and invoices raised in period	6,980,341	-
Effects of FX and elimination	(1,353,321)	-
	4,031,198	-

Accounting policy for contract liabilities
Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

Note 25. Contingent consideration

Contingent consideration	2023 $	2022 $
Opening balance	-	-
Additions during the period*	8,431,925	-
Decreases during the period	(235,542)	-
Fair value adjustment at year end**	18,925,734	-
Closing balance	27,122,117	-

Note 25. Contingent consideration (continued)

* Relates to contingent consideration payable on acquisition of CurveBeam LLC completed in October 2022. Refer to note 39 for further information.

** Fair value adjustment of the contingent consideration as at 30 June 2023 was based on the following inputs:

- Assessment of the total number of shares to be issued on conversion of convertible notes; a total 56,995,091 shares to be issued on conversion of convertible notes based on factors in place as at 30 June 2023. This is an additional 30,969,119 shares compared to the assessment on initial acquisition accounting, reflecting changes to shares to be issued to convertible note holders, as the actual terms of the IPO were determined, and amounts to an increase in the fair value of $10,091,495.
- Assessment of the fair value per share at period end; 48 cents was used as the fair value per share, reflecting the IPO price which was finalised on 14 July 2023, with the signing of the underwriting agreement and lodgement of the prospectus with ASIC. This amounts to an increase in the fair value of $8,834,239.

Under AASB 3, the characteristics of the contingent consideration do not allow the fair value adjustment to be recorded in goodwill under the 'measurement period' provisions as a part of provisional accounting for business combinations.

Note 26. Other financial liabilities

	2021 Convertible Notes (1) $	2022 Convertible Notes (2) $	Total $
Breakdown of convertible note value:			
Carrying value of financial liability host	12,157,067	17,755,241	29,912,308
Fair value of embedded derivative (liability)	11,235,764	10,975,189	22,210,953
Capital raising costs	(560,056)	(1,156,119)	(1,716,175)
Interest on convertible notes	5,392,308	1,342,719	6,735,027
Gross financial liability as of 30 June 2023	28,225,083	28,917,030	57,142,113
Carrying value of financial liability host	12,157,067	-	12,157,067
Fair value of embedded derivative (liability)	6,909,933	-	6,909,933
Capital raising costs	(1,035,460)	-	(1,035,460)
Interest on convertible notes	2,166,327	-	2,166,327
Gross financial liability as of 30 June 2022	20,197,867	-	20,197,867

Note 26. Other financial liabilities (continued)

	Financial liability host	Embedded derivative (liability)	*Total liability balance*	Embedded derivative (equity)	Total convertible notes balance
Roll-forward of convertible note balance					
	-	-	-	-	-
Opening balance as at 1 July 2021	-	-	-	-	-
Additional proceeds received during the year	19,067,000	-	*19,067,000*	-	19,067,000
Fair value transfer of embedded derivative on inception	(6,909,933)	6,909,933	-	-	-
Capital raising costs	(1,427,510)	-	*(1,427,510)*	-	(1,427,510)
Interest on convertible notes	2,166,327	-	*2,166,327*	-	2,166,327
Amortisation of capital raising costs during period	392,050	-	*392,050*	-	392,050
Closing balance at 30 June 2022	13,287,934	6,909,933	*20,197,867*	-	20,197,867
Additional proceeds received during the year	25,000,000	-	*25,000,000*	-	25,000,000
Fair value transfer of embedded derivative on inception	(7,244,759)	5,932,086	*(1,312,673)*	1,312,673	-
Capital raising costs	(1,582,942)	-	*(1,582,942)*	(87,721)	(1,670,663)
Interest on convertible notes	4,568,700	-	*4,568,700*	-	4,568,700
Fair value adjustment of embedded derivative at period end	-	9,368,934	*9,368,934*	-	9,368,934
Amortisation of capital raising costs during period	902,227	-	*902,227*	-	902,227
Closing balance at 30 June 2023	34,931,160	22,210,953	*57,142,113*	1,224,952	58,367,065

(1) 2021 Convertible Notes

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

(2) 2022 Convertible Notes

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

On 24 February 2023 the Company completed Tranche 2 of the 2022 Post-Merger Pre-IPO capital raising, by way of issue of the Convertible Notes – Pre IPO – 2022 (2022 Convertible Notes), under a Convertible Note Deed signed on 25 August 2021 for a total raising of $14,299,000 (before costs).

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

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

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

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

Note 26. Other financial liabilities (continued)

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

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

The 2022 Convertible Notes also included free-attaching options on a $1 worth of options for each $6 invested. These were valued using the Black-Scholes model.

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

The free-attaching options were determined to be embedded derivative classified as a equity.

Key inputs and assumptions for fair value measurements

Significant inputs used in the fair value measurements of the liability component of the embedded derivative include:
- the share price, which was deemed to be $0.48 as at 30 June 2023, for both 2021 and 2022 Convertible Notes, based on the circumstances as at 30 June as detailed in note 18, and
- the conversion discount, which was 35% for the 2021 Convertible Notes, and 30% for the 2022 Convertible Notes.

Significant inputs used in the fair value measurement of the equity component of the embedded derivative include:
- exercise price of $0.96;
- volatility of 75%; and
- share price of $0.325 on convertible note issue date in November 2022 / February 2023.

Accounting policy for other financial liabilities
The Group measures all other financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method. The other financial liabilities of the Group comprise of convertible notes.

Note 27. Issued capital

	Consolidated			
	2023 Shares	2022 Shares	2023 $	2022 $
Ordinary shares	67,140,754	354,609	17,655,830	7,313,539
Cost of capital raising	-	-	(296,834)	-
	67,140,754	354,609	17,358,996	7,313,539

Note 27. Issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2021	347,133		7,031,485
Issue of shares on exercise of options	11 April 2022	308	$10.8300	3,337
Issue of shares on exercise of options	30 April 2022	33	$16.0000	528
Issue of shares on exercise of options	30 April 2022	5,384	$10.8300	58,309
Issue of shares on exercise of options	31 May 2022	769	$10.8300	8,328
Issue of shares on exercise of options	31 May 2022	266	$16.0000	4,256
Issue of shares on exercise of options	17 June 2022	257	$10.8300	2,783
Issue of shares on exercise of options	21 June 2022	103	$10.8300	1,115
Issue of shares on exercise of options	22 June 2022	356	$16.0000	5,696
Transfer of value of options on exercise	30 June 2022	-	$0.0000	197,702
Balance	30 June 2022	354,609		7,313,539
Share split on a 1-for-100 basis*	30 September 2022	35,106,291	$0.0000	-
Shares issued on acquisition of business	12 October 2022	27,840,700	$0.3250	9,048,227
Shares pending issue for acquisition of business**	12 October 2022	3,581,354	$0.3250	1,163,940
Issue of shares on exercise of options	15 May 2023	26,700	$0.1600	4,272
Issue of shares on exercise of options	31 May 2023	39,100	$0.1600	6,256
Issue of shares on exercise of options	31 May 2023	5,100	$0.1083	552
Issue of shares on exercise of options	31 May 2023	186,900	$0.3200	59,808
Transfer of value of options on exercise	30 June 2023	-	$0.0000	59,236
Balance	30 June 2023	67,140,754		17,655,830

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

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

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

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

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

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

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

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

Note 27. Issued capital (continued)

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

Accounting policy for 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.

Note 28. Share-based payment reserves

	Consolidated	
	2023 $	2022 $
Share-based payments reserve	1,280,110	355,582

Accounting policy for share-based payments
Equity-settled share-based compensation benefits are provided to employees

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

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.
The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

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

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

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied
If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

Note 28. Share-based payment reserves (continued)

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.
If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Note 29. Embedded derivative reserve

	Consolidated	
	2023 $	2022 $
Embedded derivative reserve	1,224,952	-

Accounting policy for embedded derivative reserve

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

Note 30. Foreign currency translation reserve

	Consolidated	
	2023 $	2022 $
Foreign currency translation reserve	1,349,276	-

Note 31. Accumulated losses

	Consolidated	
	2023 $	2022 $
Accumulated losses at the beginning of the financial year	(18,095,564)	(9,630,243)
Loss after income tax expense for the year	(51,226,754)	(8,544,646)
Transfer of expired options from reserves to accumulated losses	8,719	79,325
Accumulated losses at the end of the financial year	(69,313,599)	(18,095,564)

Note 32. Dividends

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

Note 33. Financial instruments

Financial risk management objectives
The Group is exposed to a variety of financial risks through its use of financial instruments.
The Group's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets.

Note 33. Financial instruments (continued)

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

Specific risks:
- Liquidity risk
- Credit risk
- Market risk - currency risk, interest rate risk and price risk

Financial instruments used
The principal categories of financial instrument used by the Group are:
- Trade receivables
- Cash at bank
- Trade and other payables

Liquidity risk
Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.
The Group manages its liquidity needs by carefully monitoring cash-outflows due in day-to-day business.

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

30 June 2023	Weighted average interest rate %	Within 1 year $	1 to 5 years $	Over 5 years $	Total $
Financial liabilities due for payment					
Trade and other payables	-	5,526,934	-	-	5,526,934
Lease liabilities	7.50%	279,852	851,871	-	1,131,723
Borrowings	3.72%	1,073,855	12,639,218	-	13,713,073
Convertible notes	5.00%	-	57,142,113	-	57,142,113
		6,880,641	70,633,202	-	77,513,843

30 June 2022	Weighted average interest rate %	Within 1 year $	1 to 5 years $	Over 5 years $	Total $
Financial liabilities due for payment					
Trade and other payables	-	831,325	-	-	831,325
Borrowings	14.00%	856,655	-	-	856,655
Convertible notes	5.00%	-	20,197,867	-	20,197,867
		1,687,980	20,197,867	-	21,885,847

The convertible notes are converted into ordinary shares upon the IPO, as detailed in note 41, and not on maturity date noted above.

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

Credit risk

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

Note 33. Financial instruments (continued)

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

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

Trade receivables

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

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

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

Market risk

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

(i) Foreign exchange risk
The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

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

Should this rate increase or decrease by 10% it would increase or decrease the loss after tax for the year by $120,227.

(ii) Interest rate risk

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

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

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

Interest rate risk
The Group's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group's borrowings are all held on a fixed rate basis.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 34. Fair value measurement

Fair value hierarchy
The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Consolidated - 2023	Level 1 $	Level 2 $	Level 3 $	Total $
Liabilities				
Contingent consideration	-	-	27,122,117	27,122,117
Embedded derivative of convertible notes	-	-	22,210,953	22,210,953
Total liabilities	-	-	49,333,070	49,333,070

Consolidated - 2022	Level 1 $	Level 2 $	Level 3 $	Total $
Liabilities				
Embedded derivative of convertible notes	-	-	6,909,933	6,909,933
Total liabilities	-	-	6,909,933	6,909,933

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

Valuation techniques for fair value measurements categorised within level 2 and level 3
For details of the valuation process of the contingent consideration, refer to note 25 for details, and to note 26 for the embedded derivative component of convertible notes.

Level 3 assets and liabilities
Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

Consolidated	Contingent consideration $	Embedded derivative $	Total $
Balance at 1 July 2021	-	-	-
Additions	-	6,909,933	6,909,933
Balance at 30 June 2022	-	6,909,933	6,909,933
Additions	8,431,925	5,932,086	14,364,011
Decreases	(235,542)	-	(235,542)
Losses recognised in profit or loss	18,925,734	9,368,934	28,294,668
Balance at 30 June 2023	27,122,117	22,210,953	49,333,070

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

Note 34. Fair value measurement (continued)

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

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

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

Note 35. Key management personnel disclosures

Directors
The following persons were directors of CurveBeam AI Limited during the financial year:

Rob Lilley	Non-Executive Chair
Greg Brown	Chief Executive Officer and Managing Director
Arun Singh	COO, CTO-CT and President (US & Europe Division); Executive Director (appointed 13 March 2023)
Kate Robb	Non Executive Director (appointed 4 April 2023)
Hashan De Silva	Non-Executive Director
David Seeman	Non-Executive Director (resigned 31 March 2023)

Other key management personnel
The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, during the financial year:

Ura Auckland	Chief Financial Officer & Company Secretary
Dr Yu Peng	CTO-AI
S Turner Dean	Chief Sales Officer (from acquisition of CurveBeam LLC from 12 October 2022 onwards)
Vinti Singh	Vice President Marketing (from acquisition of CurveBeam LLC from 12 October 2022 onwards)

Compensation
The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated 2023 $	Consolidated 2022 $
Short-term employee benefits	2,926,533	1,569,192
Post-employment benefits	81,428	-
Long-term benefits	15,813	70,228
Termination benefits	-	16,298
Share-based payments	974,450	107,790
	3,998,224	1,763,508

Note 36. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by PricewaterhouseCoopers, the auditor of the Group:

	Consolidated 2023 $	Consolidated 2022 $
Audit services - PricewaterhouseCoopers		
Audit or review of the financial statements	296,600	67,500
Other services - PricewaterhouseCoopers		
Merger tax advice	694,689	-
Remuneration consulting fees	230,736	-
Audit or review of subsidiary	23,085	-
	948,510	-
	1,245,110	67,500

Note 37. Related party transactions

Parent entity
CurveBeam AI Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 40.

Key management personnel
Disclosures relating to key management personnel are set out in note 35.

Transactions with related parties
There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties
Refer to note 21 for details of loans with related parties.

Note 38. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent 2023 $	Parent 2022 $
Loss after income tax	(44,593,874)	(8,544,646)
Total comprehensive income	(44,593,874)	(8,544,646)

Note 38. Parent entity information (continued)

Statement of financial position

	Parent 2023 $	Parent 2022 $
Total current assets	25,084,696	11,194,625
Total assets	44,991,337	11,792,337
Total current liabilities	29,977,616	1,999,541
Total liabilities	87,807,999	22,218,780
Equity		
Issued capital	17,358,996	7,313,539
Embedded derivative reserve	1,224,952	-
Share-based payments reserve	1,280,110	355,582
Accumulated losses	(62,680,720)	(18,095,564)
Total deficiency in equity	(42,816,662)	(10,426,443)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2022 and 30 June 2023.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2023.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2023.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 39. Business combinations

Acquisition of CurveBeam LLC
On 12 October 2022, CurveBeam AI Limited acquired 100% of the ordinary shares of CurveBeam LLC ('CurveBeam') for a total upfront consideration of $10,212,167 settled by way of 31,422,054 shares, plus contingent consideration of $8,431,925, comprising of additional shares.

CurveBeam researches, designs, and manufactures cone beam CT imaging systems for orthopaedic specialties, and since 2018 has been in an especially important two-way collaboration with the Company as the developer and manufacturer of the HR-pQCT platform to be paired with the SaaS platform. The merger is both a vertical and concentric merger that expands product and market access, global infrastructure, customer base, and installed global CT base for targeting expansion of the SaaS delivered AI solutions.
As at 30 June 2023, the consolidated entity has provisionally analysed whether all identifiable intangible assets have been recognised and vendor warranties and representations met. Accordingly, the initial accounting for the acquisition of CurveBeam has only been provisionally determined at the end of the reporting period, due to proximity to reporting period end, and the size and complexity of the acquisition.

Note 39. Business combinations (continued)

The acquired business contributed revenue of $8,055,193 and a loss after tax of $5,067,875 to the consolidated entity for the period from acquisition to 30 June 2023, and would have contributed revenue $11,485,193 and a loss after tax of $7,428,798 if the acquisition date had been the beginning of the annual reporting period. Goodwill is not deductible for tax purposes.

Details of the acquisition are as follows:

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

	Fair value $
Cash at bank	96,412
Trade and other receivables	2,228,487
Inventory	5,077,544
Other assets	245,152
Right-of-use assets	364,358
Plant and equipment	178,150
Brands	1,999,681
Intellectual property	16,780,418
Strategic distribution agreement	1,369,797
Permits	819,646
Deferred tax asset	5,242,386
Trade and other payables	(5,832,602)
Deferred revenue	(6,228,896)
Lease liabilities	(457,686)
Warranty provision	(322,984)
Borrowings	(17,750,036)
Other financial liabilities	(103,652)
Deferred tax liability	(5,242,386)
Net liabilities acquired	(1,536,211)
Goodwill	20,180,303
Acquisition-date fair value of the total consideration transferred	18,644,092
Representing:	
CurveBeam AI Limited shares issued to vendor	10,212,167
- Contingent Merger Consideration(b)	441,129
- Contingent Merger Consideration(c)	330,881
- Further Top up Merger Consideration(c)	7,659,915
	18,644,092

Deferred tax assessment on the acquired balance sheet noted there were deferred tax liabilities of $5,242,386, in relation to the intangible assets acquired (other than goodwill).
A review of tax losses and other temporary deductible differences found there were sufficient deferred tax assets available on acquisition date to offset this balance.
No deferred tax balances have been recognised on the provisional balance sheet acquired, given the Group does not have taxable profits against which these deferred tax balances would be utilised.

Purchase Consideration

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

Note 39. Business combinations (continued)

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

c) Additional shares are to be issued upon conversion of convertible notes to ordinary shares. The exact amount to be converted is dependent on the number of convertible notes to be converted on IPO, at the date of acquisition the number of shares to be issued was estimated to be 24,587,063. This was valued at $0.325 per share, and classified as a liability on the balance sheet.

Fair value adjustments for the contingent consideration detailed above was completed at 30 June 2023, refer to note 25 for further details.

Accounting policy for business combinations

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

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

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

Acquisition-related costs are expensed as incurred

The excess of the:

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

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

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

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

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

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

Note 39. Business combinations (continued)

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

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

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

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

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

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

Note 40. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

		Ownership interest	
	Principal place of business /	2023	2022
Name	Country of incorporation	%	%
CurveBeam LLC*	United States of America	100.00%	-
CurveBeam AI UK Limited**	United Kingdom	100.00%	-
CurveBeam AI US Holdco Inc***	United States of America	100.00%	-

* Acquired on 12 October 2022, refer to note 39 for more details.
** A new subsidiary established on 21 December 2022 in the United Kingdom.
*** A new subsidiary established on 25 July 2022 in the USA.

Note 41. Events after the reporting period

On 23 August 2023, CurveBeam AI Limited ('CVB') was admitted to the Official List of ASX Limited ('ASX'). Official quotation of CVB's ordinary fully paid shares commenced at 11:00 AM AEST on 23 August 2023, following completion of its Initial Public Offer for $25 million.

Note 41. Events after the reporting period (continued)

Immediately prior to the allotment of the shares offered under the IPO on 16 August 2023, 440,670 convertible notes and their accrued interest converted into 144,011,473 fully paid ordinary shares and 54,473,895 fully paid ordinary shares were issued to the former stockholders of CurveBeam LLC.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 42. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2023 $	2022 $
Loss after income tax expense for the year	(51,226,754)	(8,544,646)
Adjustments for:		
Depreciation and amortisation	1,979,822	203,185
Non-cash finance expense	5,530,930	2,632,190
Share-based payments	992,483	206,898
Foreign exchange differences	112,258	(224,956)
Net fair value loss on financial liabilities	28,294,668	-
Net fair value loss on financial assets	33,010	-
Gain on disposal of subsidiary	(90,517)	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(1,335,852)	(875,103)
Increase in inventories	(3,858,215)	-
Increase in prepayments and other assets	(1,089,870)	(911,435)
Decrease in trade and other payables	(938,469)	(619,800)
Increase in employee benefits	58,264	21,994
Increase/(decrease) in other provisions	(135,848)	120,861
Net cash used in operating activities	(21,674,090)	(7,990,812)

Note 43. Non-cash investing and financing activities

	Consolidated	
	2023 $	2022 $
Cash and cash equivalents	5,157,621	8,698,649
Borrowings (note 21)	(13,713,073)	(856,655)
Lease liabilities	(1,131,723)	-
Other financial liabilities (note 26)	(57,142,113)	(20,197,867)
	(66,829,288)	(12,355,873)

Note 43. Non-cash investing and financing activities (continued)

	Liabilities from financing activities				Other assets	
	Borrowings $	Leases $	Other financial liabilities $	Sub-total $	Cash at bank $	Total $
30 June 2022						
Net debt as at 1 July 2021	(2,289,719)	-	-	*(2,289,719)*	202,399	(2,087,320)
Financing cash flows	(616,023)	-	(15,829,497)	*(16,445,520)*	8,496,250	(7,949,270)
Foreign exchange and other adjustments	300,781	-	-	*300,781*	-	300,781
Debt settled for shares	1,850,000	-	(1,850,000)	-	-	-
Finance expense	(101,694)	-	(2,558,370)	*(2,660,064)*	-	(2,660,064)
Capital raising costs paid in prior period	-	-	40,000	*40,000*	-	40,000
Closing balance as at 30 June 2022	(856,655)	-	(20,197,867)	*(21,054,522)*	8,698,649	(12,355,873)
30 June 2023						
Financing cash flows	733,967	176,515	(23,229,217)	*(22,318,735)*	(3,521,646)	(25,840,381)
Net debt acquired on acquisition of company	(14,377,309)	(457,686)	(103,652)	*(14,938,647)*	-	(14,938,647)
New leases	-	(840,145)	-	*(840,145)*	-	(840,145)
Foreign exchange adjustments	1,007,798	28,503	3,530	*1,039,831*	(19,382)	1,020,449
Portion of convertible note classified as equity	-	-	1,224,952	*1,224,952*	-	1,224,952
Finance expense	(220,874)	(38,910)	(5,470,925)	*(5,730,709)*	-	(5,730,709)
Fair value change	-	-	(9,368,934)	*(9,368,934)*	-	(9,368,934)
Closing balance as at 30 June 2023	(13,713,073)	(1,131,723)	(57,142,113)	*(71,986,909)*	5,157,621	(66,829,288)

Note 44. Earnings per share

	Consolidated 2023 $	Consolidated 2022 $
Earnings per share for loss from continuing operations		
Loss after income tax attributable to the owners of CurveBeam AI Limited	(51,226,754)	(8,544,646)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	57,952,597	34,854,024
Weighted average number of ordinary shares used in calculating diluted earnings per share	57,952,597	34,854,024
	Cents	**Cents**
Basic earnings per share	(88.39)	(24.52)
Diluted earnings per share	(88.39)	(24.52)

The weighted average number of ordinary shares for 30 June 2022 has been restated for the effect of the 1-for-100 share split completed in September 2022, in accordance with AASB 133 'Earnings per share'.

Note 44. Earnings per share (continued)

Accounting policy for earnings per share

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

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

Note 45. Share-based payments

Options

A share option plan has been established by the Group and approved by shareholders at a general meeting, whereby the Group may, at the discretion of the Nomination and Remuneration Committee, grant options over ordinary shares in the company to certain key management personnel of the Group. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Nomination and Remuneration Committee.

Options were granted to Key Management Personnel (KMP) and Non Executive Directors (NEDs) of CurveBeam AI Limited as part of the Company's Omnibus Incentive Plan as at 10 May 2023.

Set out below are summaries of options granted under the plan:

	Number of options 2023	Weighted average exercise price* 2023	Number of options 2022	Weighted average exercise price* 2022
Outstanding at the beginning of the financial year	29,487	$0.3133	37,576	$0.2708
Granted	10,594,372	$0.5430	-	$0.0000
Forfeited	(58,390)	$0.2309	(613)	$0.1513
Exercised	(257,800)	$0.2750	(7,476)	$0.1128
Options split on a 1-for-100 basis*	435,303	$0.2466	-	$0.0000
Outstanding at the end of the financial year	10,742,972	$0.5385	29,487	$0.3133
Exercisable at the end of the financial year	148,600	$0.2166	22,611	$0.2023

* Exercise price and other changes shown inclusive of 1-for-100 share split complete in September 2022.

Note 45. Share-based payments (continued)

2023

Grant date	Expiry date	Exercise price*	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other**	Balance at the end of the year
26/04/2021	26/04/2027	$0.3250	8,580	-	-	(8,580)	-
26/04/2021	25/04/2028	$0.3250	2,860	-	-	(2,860)	-
26/04/2021	26/04/2029	$0.3250	2,860	-	-	(2,860)	-
31/12/2020	31/12/2025	$0.3250	10,790	-	-	(10,790)	-
15/04/2016	15/04/2023	$0.1600	66	-	(3,300)	3,234	-
15/04/2016	15/04/2024	$0.1600	34	-	-	3,366	3,400
15/04/2016	15/06/2023	$0.1600	567	-	(26,700)	26,133	-
15/04/2016	15/06/2024	$0.1600	568	-	-	56,232	56,800
15/04/2016	01/08/2023	$0.1083	51	-	(5,100)	5,049	-
15/04/2016	21/06/2023	$0.1600	358	-	(35,800)	35,442	-
15/04/2016	21/06/2024	$0.1600	358	-	-	35,442	35,800
16/04/2017	07/06/2023	$0.3200	1,836	-	(183,600)	181,764	-
16/04/2017	31/10/2024	$0.3200	459	-	-	45,441	45,900
16/04/2017	02/07/2023	$0.3200	33	-	(3,300)	3,267	-
02/07/2018	02/07/2024	$0.3200	33	-	-	3,267	3,300
02/07/2018	02/07/2025	$0.3200	34	-	-	3,366	3,400
10/05/2023	09/05/2029	$0.5430	-	1,630,862	-	-	1,630,862
10/05/2023	09/05/2030	$0.5430	-	1,630,862	-	-	1,630,862
10/05/2023	11/05/2029	$0.5430	-	1,000,000	-	-	1,000,000
10/05/2023	09/05/2029	$0.5430	-	1,223,147	-	-	1,223,147
10/05/2023	09/05/2030	$0.5430	-	1,223,147	-	-	1,223,147
10/05/2023	11/05/2029	$0.5430	-	2,058,824	-	-	2,058,824
10/05/2023	11/05/2029	$0.5430	-	1,467,530	-	-	1,467,530
10/05/2023	11/05/2029	$0.3250	-	120,000	-	-	120,000
10/05/2023	11/05/2029	$0.3250	-	120,000	-	-	120,000
10/05/2023	11/05/2029	$0.3250	-	120,000	-	-	120,000
			29,487	10,594,372	(257,800)	376,913	10,742,972
Weighted average exercise price			$0.3133	$0.5430	$0.2750	$0.2579	$0.5385

* Exercise price shown inclusive of 1-for-100 share split complete in September 2022.
** Other changes include impact of 1-for-100 share split complete in September 2022.

Note 45. Share-based payments (continued)

2022

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
26/04/2021	26/04/2027	$32.5000	8,580	-	-	-	8,580
26/04/2021	25/04/2028	$32.5000	2,860	-	-	-	2,860
26/04/2021	26/04/2029	$32.5000	2,860	-	-	-	2,860
31/12/2020	31/12/2025	$32.5000	10,790	-	-	-	10,790
15/04/2016	15/04/2022	$10.8300	3,614	-	(3,614)	-	-
15/04/2016	15/04/2022	$10.8300	2,181	-	(2,078)	(103)	-
15/04/2016	15/04/2022	$16.0000	66	-	(33)	(33)	-
15/06/2016	15/06/2021	$10.8300	512	-	(512)	-	-
15/06/2016	15/06/2022	$10.8300	514	-	(514)	-	-
15/06/2016	15/06/2022	$16.0000	743	-	(266)	(477)	-
21/06/2016	21/06/2022	$16.0000	356	-	(356)	-	-
21/06/2016	21/06/2021	$10.8300	52	-	(52)	-	-
21/06/2016	01/08/2022	$10.8300	51	-	(51)	-	-
15/04/2016	15/04/2023	$16.0000	66	-	-	-	66
15/04/2016	15/04/2024	$16.0000	34	-	-	-	34
15/04/2016	15/06/2023	$16.0000	567	-	-	-	567
15/04/2016	15/06/2024	$16.0000	568	-	-	-	568
15/04/2016	01/08/2023	$10.8300	51	-	-	-	51
15/04/2016	21/06/2023	$16.0000	358	-	-	-	358
15/04/2016	21/06/2024	$16.0000	358	-	-	-	358
16/04/2017	07/06/2023	$32.0000	1,836	-	-	-	1,836
16/04/2017	31/10/2024	$32.0000	459	-	-	-	459
16/04/2017	02/07/2023	$32.0000	33	-	-	-	33
02/07/2018	02/07/2024	$32.0000	33	-	-	-	33
02/07/2018	02/07/2025	$32.0000	34	-	-	-	34
			37,576	-	(7,476)	(613)	29,487
Weighted average exercise price			$0.2708	$0.0000	$0.1128	$0.1513	$0.3133

Note 45. Share-based payments (continued)

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	2023 Number	2022 Number
26/04/2021	26/04/2027	-	8,580
31/12/2020	31/12/2025	-	2,158
15/04/2016	15/04/2023	-	66
15/04/2016	15/04/2024	3,400	34
15/04/2016	15/06/2023	-	567
15/04/2016	15/06/2024	56,800	568
15/04/2016	01/08/2023	-	51
15/04/2016	21/06/2023	-	358
15/04/2016	21/06/2024	35,800	358
16/04/2017	07/06/2023	-	1,836
16/04/2017	31/10/2024	45,900	459
16/04/2017	02/07/2023	-	33
02/07/2018	02/07/2024	3,300	33
02/07/2018	02/07/2025	3,400	34
15/04/2016	15/04/2022	-	5,692
15/04/2016	15/04/2022	-	33
15/06/2016	15/06/2021	-	564
15/06/2016	15/06/2022	-	622
15/06/2016	15/06/2022	-	514
21/06/2016	01/08/2022	-	51
		148,600	22,611

The weighted average remaining contractual life of options outstanding at the end of the financial year was 6.07 years (June 2022: 4.11 years).

For the options granted during the current financial year, the valuation model inputs used to determine the fair value using a Black-Scholes model at
the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise* price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
10/05/2023	11/05/2029	$0.3250	$0.5430	90.00%	-	3.13%	$0.170
10/05/2023	09/05/2030	$0.3250	$0.5430	90.00%	-	3.13%	$0.170
10/05/2023	09/05/2029	$0.3250	$0.5430	90.00%	-	3.13%	$0.170

* Exercise price shown inclusive of 1-for-100 share split complete in September 2022.

Class A Shares

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

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

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

Note 45. Share-based payments (continued)

	Consolidated 2023 $	Consolidated 2022 $
Granted during the year	2,880,000	-
Cancelled/forfeited during the year	(414,000)	-
	2,466,000	-

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

Grant date	Expiry date	Share price at grant date	Vesting terms	Exercise price	Expected volatility %	Dividend yield %	Risk free interest rate %	Fair value at grant date
06/10/2022	06/10/2027	$0.0325	06/10/2022	$0.3250	75%	-	2.40%	$0.2020
06/10/2022	06/10/2027	$0.3250	06/10/2023	$0.3250	75%	-	2.40%	$0.2170
06/10/2022	06/10/2027	$0.3250	05/10/2024	$0.3250	75%	-	2.40%	$0.2290
06/10/2022	28/09/2032	$0.3250	06/10/2023	$0.3250	75%	-	2.40%	$0.2570
06/10/2022	28/09/2032	$0.3250	05/10/2024	$0.3250	75%	-	2.40%	$0.2570
06/10/2022	28/09/2032	$0.3250	06/10/2025	$0.3250	75%	-	2.40%	$0.2570

Accounting policy for share-based payments
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

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

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

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

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

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

Note 45. Share-based payments (continued)

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

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

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

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

Independent auditor's report

To the members of CurveBeam AI Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of CurveBeam AI Limited (the Company) and its controlled entities (together 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 2023 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the statement of financial position as at 30 June 2023
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

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

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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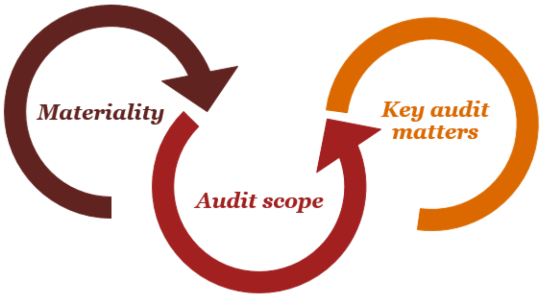
Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality

- For the purpose of our audit we used overall Group materiality of $1,200,000, which represents approximately 5% of the Group's loss before tax excluding the fair value adjustments related to contingent consideration and embedded derivatives.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose adjusted Group loss before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. We adjusted for fair value measurement losses related to contingent consideration and embedded derivatives because these are one off in nature.
- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.

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 for the current period. The key audit 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. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	***How our audit addressed the key audit matter***
Business Combination *(Refer to note 39)* The Group acquired CurveBeam LLC for purchase consideration of $18.6m. The purchase consideration was in the form of equity issued on acquisition and contingent equity consideration. Goodwill of $20.1m was recognised on acquisition. We considered this a key audit matter because of the significant judgement involved by the Group in the following areas: • determining the acquisition date and the fair value of purchase consideration • estimating the fair value of intangible assets acquired as part of the business combination.	Our audit procedures included, amongst others: • Evaluating the Group's accounting against the requirements of Australian Accounting Standards, the purchase agreement and our understanding of the business acquired • Assessing the determination of the acquisition date against supporting documentation • Assessing the Group's estimation of the fair value of purchase consideration. In particular considering the expected number of shares to be issued as contingent consideration and their fair value based on the purchase agreement and available external data • Together with PwC experts, assessing the fair value of acquired intangible assets by evaluating the valuation methodology and significant assumptions used to value these assets • Considering the reasonableness of the associated disclosures in the financial report in light of the requirements of Australian Accounting Standards.
Revenue Recognition *(Refer to note 5) [$8.1m]* The Group recognised revenue of $8.1m, which is predominantly comprised of the following revenue streams: • Sale of Devices ($6.1m) • Warranty Service revenue ($1.1m) • Other operating revenue ($0.9m) Revenue recognition was a key audit matter due to: • the significance of revenue to the Group's financial results.	Our audit procedures included, amongst others: • Developing an understanding of the process undertaken by the Group to recognise revenue from the sale of devices and warranty contracts, including factors influencing if the revenue is recognised at a point in time or over time. • Agreeing a sample of revenue transactions to relevant supporting documents • Agreeing sample of contracts to relevant supporting documentation to consider the appropriate deferral of revenue in light of warranty contract terms • Considering the reasonableness of the associated disclosures in the financial report

Key audit matter	***How our audit addressed the key audit matter***
• the extent of revenue recognsied over time (deferred revenue) by the Group and the related revenue recognition during the year. • the level of judgement applied by the Group in the key assumptions used to recognise revenue.	in light of the requirements of Australian Accounting Standards.
Valuation of Convertible Notes *(Refer to note 26) [$57.1m]* The Group raised $25 million (before costs) through the issue of convertible notes during the year. These convertible notes contain certain conversion features which provide holders with the option to convert the notes into equity at a variable price before maturity. As a result of this conversion feature, the notes are a hybrid financial instrument with embedded derivatives separated from the underlying debt and accounted for on an individual basis as a financial liability at fair value. Accounting for embedded derivatives is complex and requires the use of valuation methodologies that rely upon observable and unobservable inputs and assumptions. This creates estimation uncertainty for the amounts recognised in the financial statements. For these reasons, we consider the valuation of convertible notes to be a key audit matter	Our audit procedures included, amongst others: • Considering whether the accounting treatment of the Convertible Note was appropriate in relation to Australian Accounting Standards • Together with PwC valuation experts, assessing the valuation methodology used to determine the value of the embedded derivatives, including the significant inputs and assumptions • Evaluating the mathematical accuracy of management's underlying calculations • Agreeing the convertible note calculation to the relevant convertible note source documentation • Considering the reasonableness of the associated disclosures in the financial report in light of the requirements of Australian Accounting Standards.
Valuation of Contingent Consideration *(Refer to note 25) [$27.1m]* The Group values the contingent consideration that arose as part of the CurveBeam LLC acquisition. The initial measurement of the contingent consideration was at the acquisition date. The Group has re-measured the liability to reflect post-acquisition changes in circumstance and assumptions in the valuation at 30 June 2023. We considered this is a key audit matter due to:	Our audit procedures included, amongst others: • Evaluating the Group's valuation methodology against the requirements of Australian Accounting standards and our understanding of the contingent consideration under the purchase agreement • Assessing significant inputs and assumptions underpinning the valuation to the purchase agreement and relevant available external information

Key audit matter	How our audit addressed the key audit matter
• the financial significance of the contingent consideration liability • the complexities and judgements required to determine the valuation of the liability including the expected number of shares to be issued and the fair value of those shares.	• Considering the reasonableness of the associated disclosures in the financial report in light of the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2023, 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 through our opinion on the financial report.

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

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

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

Jon Roberts
Partner

Melbourne
28 September 2023

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Greg Brown	Rob Lilley
Chief Executive Officer and Managing Director	Non-Executive Chair

28 September 2023

The shareholder information set out below was applicable as at 21 September 2023.

Distribution of equitable securities
Analysis of number of equitable security holders by size of holding:

	Ordinary shares		Options over ordinary shares	
	Number of holders	% of total shares issued	Number of holders	% of total shares issued
1 to 1,000	23	-	-	-
1,001 to 5,000	213	0.21	-	-
5,001 to 10,000	95	0.24	12	0.29
10,001 to 100,000	296	3.30	61	8.16
100,001 and over	209	96.25	42	91.55
	836	100.00	115	100.00
Holding less than a marketable parcel	41	-	-	-

Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
ILWELLA PTY LTD	26,204,189	8.19
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	24,632,240	7.69
KP TMF ASA 2 \C	21,857,867	6.83
ARUN SINGH	20,561,672	6.42
CITIGROUP PTY LIMITED (FIRETRAIL ABS RETURN A/C)	16,562,744	5.17
GREGORY WAYNE BROWN	11,048,024	3.45
SUSMITA SINGH (ARUN SINGH FAMILY A/C)	10,444,231	3.26
ARUN SINGH (ARUN SINGH FAMILY A/C)	9,034,709	2.82
BNP PARIBAS NOMS PTY LTD (DRP)	6,936,715	2.17
TENMILE VENTURES PTY LTD	6,106,405	1.91
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	5,248,333	1.64
THE NORTHERN TRUST COMPANY (MERCER AUST SMALL COY A/C)	5,098,245	1.59
CAPITAL M GROUP II LLC	4,891,426	1.53
CITICORP NOMINEES PTY LIMITED	4,842,309	1.51
APEX FUND SERVICES PTY LTD (FRAZIS VENTURE FUND A/C)	4,621,452	1.44
BNP PARIBAS NOMINEES PTY LTD (DRP A/C)	4,609,283	1.44
GREGORY WAYNE BROWN (G W BROWN SF A/C)	4,542,500	1.42
CITIGROUP PTY LIMITED (FIRETRAIL SMALL COY A/C)	4,422,196	1.38
SEEGO PTY LTD	4,094,528	1.28
JP MORGAN NOMINEES AUSTRALIA PTY LIMITED	3,734,937	1.17
	199,494,005	62.31

Unquoted equity securities
The Company has 29,091,428 options on issue in accordance with the 'Shares under option' section of the Directors' Report.

Substantial holders
Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
ARUN SINGH & SUSMITA SINGH	41,082,279	12.83
FIRETRAIL INVESTMENTS PTY LTD	39,244,484	12.26
ILWELLA PTY LTD	30,370,856	9.49
PINNACLE INVESTMENT MANAGEMENT GROUP LIMITED	24,960,025	7.80
KARST PEAK CAPITAL LIMITED AND ITS ASSOCIATES, KP TMF ASA 2 AND KARST PEAK THYLACINE MASTER FUND	21,857,867	6.83
GREGORY WAYNE BROWN	16,869,624	5.27

Voting rights
The voting rights attached to ordinary shares are set out below:

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

Restricted securities

Class	Expiry date	Number of shares
Fully paid ordinary shares subject to ASX escrow	31 October 2023	2,023,211
Fully paid ordinary shares subject to ASX escrow	10 November 2023	11,108,966
Fully paid ordinary shares subject to ASX escrow	7 February 2024	2,173,393
Fully paid ordinary shares subject to ASX escrow	21 February 2024	3,544,391
Fully paid ordinary shares subject to ASX escrow	23 February 2024	9,669,464
Fully paid ordinary shares subject to voluntary escrow	23 May 2024	53,659,422
Fully paid ordinary shares subject to ASX escrow	5 June 2024	84,049
Fully paid ordinary shares subject to ASX escrow	15 August 2024	33,987,767
Fully paid ordinary shares subject to voluntary escrow	23 August 2024	824,350
Fully paid ordinary shares subject to ASX/voluntary escrow	23 August 2025	84,125,749
Loan shares	23 August 2025	1,610,000
Loan shares	Various - subject to plan rules	856,000
		203,666,762

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