

**hitIQ Limited**  
**ABN 53 609 543 213**

## **Annual Report - 30 June 2020**

## **DIRECTORS REPORT**

In accordance with the Corporations Act 2001, the directors of hitIQ Ltd present their report on the company for the financial year ended 30 June 2020.

### **Directors**

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

<b>Names</b>	<b>Position</b>
Michael Vegar	Director
Philip Carulli	Director
Matthew Banks	Director – Appointed 26 July 2019
Glenn Smith	Director – Appointed 2 January 2020
Geoffrey Pocock	Director – Resigned 2 July 2019

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

### **Information on Directors**

The names, qualifications, experience and special responsibilities of each person who has been a Director during the year and to the date of this report are:

#### **M D Vegar**

**Experience** Mike Vegar is one of the founding members of the Company. Mike holds a Bachelor's Degree of Commerce and a Master's Degree of Exercise Science. Over the past 9 years, Mike has managed the high performance programs in elite sports, including the Men's National Hockey team through the Australian Institute of Sport. In that time, Mike also started Game Guardian with partner Lucas Lang, a leading manufacturer of mouth guards and sports protection goods in the Australian market, whilst also leading HitIQ in the position as Managing Director over the past three years.

#### **M Banks**

**Experience** Matthew is based in Western Australia and has strong relationships in small to medium business that spans the east, to the west of Australia. Originally in the sports marketing industry in Melbourne for over 10 years, Matthew now resides in Western Australia and is business finance solutions specialist working with Quantum Business Finance.

Since 2005 Matthew has been involved in raising capital for a number of listed exploration mining companies and currently is involved in taking mining assets and listing them publically. He is a director of K2 Advisory Partners Pty Ltd that has an AFSL and consults to public companies.

Matthew is also a director of ASX Listed company Wildcat Resources Limited and [Rumble Resources](#) Limited which are looking for economic occurrences of base metals and gold in Western Australia.

### **Information on Directors (Continued)**

#### **P J Carulli**

**Experience** Phil Carulli is a Chartered Accountant and managing director of Optima Financial Group Pty Ltd where he provides financial, taxation and corporate advisory services to a diverse range of businesses. Over the past 22 years Mr Carulli has owned, managed and consulted to companies in professional services, construction, technology, medical, and industrial sectors to name a few. He holds a Bachelor of Business, is a registered SMSF auditor and holds a Certificate of Public Practice. Phil has been working with the company since incorporation in the capacity of financial controller and company secretary. Phil has been appointed a non-executive director of the company.

#### **Glenn Smith**

**Experience** Glenn Smith is an experienced CEO, entrepreneur, investor and director. His success to date has been built around being involved in and/or growing customer-centric businesses at all stages of the growth cycle (listed and private) from start-ups to mature global enterprises.

Glenn currently leads TALI Digital (ASX: TD1). He holds an MBA from the University of Western Australia, a BA (Econ), a degree in Viticulture and Oenology from the University of Melbourne and is a practicing vigneron.

#### **Company Secretary**

Peter Torre

#### **Principal activities**

The principal activities of the Group during the financial year were development and design of the Nexus A9 Smart Mouth Guard and associated software and algorithms.

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

#### **Operating results**

The loss of the company amounted to \$2,618,825 (2019: \$2,987,828 loss). The major items of expenditure include Research & Testing \$569,683 (2019: \$408,534) and Employee Benefits Expense \$2,028,788 (2019: \$1,577,027).

#### **Dividends paid or recommended**

No dividends have been paid or declared during or since the end of the financial year.

#### **Share Options**

During the year the company had issued options, details of options issued are as per Note 12b of the financial statements. There were no options that were exercised during the year.

#### **Performance Rights**

During the year the Company entered into performance rights transactions with its employees. Details of performance rights issued and exercised are as per Note 12c of the financial statements.

## **Review of operations**

The company has raised capital during the year in order to fund the ongoing development of the mouth guard and virtual reality concussion diagnosis tool. Capital also continued to be deployed in extensive trials with professional sporting bodies. Covid 19 caused some significant delays and postponement of trials during the period but this gave the company opportunity to strengthen its technology and build on its partnerships. The company continues to build on its reputation as the leading head impact monitoring and concussion diagnosis specialist. There is still no product commercially available that is able to validly and reliably quantify head impacts but through our trials and continual testing we believe the Nexus A9 is a market leader and is able to show high levels of validity and reliability.

During the year the company continued trials with the Australian Football League (AFL) and National Rugby League (NRL) in conjunction with universities and overseas sporting bodies. Agreements are currently being discussed with a view to commercial outcomes.

The company has continued to raise capital using existing networks.

## **Significant changes in state of affairs**

There have been no significant changes in the state of affairs of the company.

## **Events after the reporting date**

The following events have occurred after the reporting date:

1. The company has received \$969,846 on 17 September 2020 in relation to a Research and Development rebate in relation to the 2020 financial year.
2. The company has engaged Grevillia Capital to undertake a convertible note pre-ipo capital raise of between \$3million and \$5million.

## **Environmental issues**

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.

**hitIQ Limited**  
**Directors Report**  
**For the year ended 30 June 2020**

**Meetings of directors**

During the financial year, 5 meetings of directors were held. Attendances by each director during the year were as follows:

	<b>No. eligible to attend</b>	<b>Number attended</b>
M D Vegar	3	3
P Carulli	3	3
M Banks	3	2
G Pocock	1	1
G Smith	0	0

**Indemnification and insurance of officers and auditors**

The Company has agreed to indemnify the directors of the Company, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses totalling \$16,260.

**Auditor's independence declaration**

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2020 has been received and can be found on the next page of the financial report.

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



Director: Michael Vegar



Director: Philip Carulli

Dated this 9<sup>th</sup> day of November 2020

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(WA) Pty Ltd**

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To the Board of Directors

### **Auditor's Independence Declaration under Section 307C of the Corporations Act 2001**

As lead audit partner for the audit of the financial statements of HitIQ Limited for the financial year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours Faithfully,



**BENTLEYS**  
Chartered Accountants



**CHRIS NICOLOFF CA**  
Partner

Dated at Perth this 9<sup>th</sup> day of November 2020

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### Annual Report - 30 June 2020

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## General information

The financial statements cover hitIQ Limited as an individual entity. The financial statements are presented in Australian dollars, which is hitIQ Limited's functional and presentation currency.

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

### Registered office

Suite 3  
128 Main Street  
Osborne Park, WA, 6017

### Principal place of business

Suite 1, Level 2,  
9-17 Raglan Street  
South Melbourne, VIC, 3205, Australia

The principal activity of the company is product design and development.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 9 November 2020. The directors have the power to amend and reissue the financial statements.

**Statement of Profit or Loss and Other Comprehensive Income**  
**For the year ended 30/06/2020**

	Note	2020 \$	2019 \$
<b>Revenue</b>			
Revenue	3	40,259	-
Other Income	3	255,097	50,406
Research and development grant	3	969,847	857,750
<b>Expenses</b>			
Accountancy and Secretarial Fees		(5,355)	(24,372)
Auditors Remuneration		(10,519)	(3,020)
Consultancy Fees		(264,994)	(216,632)
Depreciation and Amortisation		(207,413)	(41,568)
Interest Paid		(86,592)	(15,015)
Occupancy		(23,231)	(200,256)
Research and Testing		(569,683)	(408,534)
Share Based Payment Expense	12a/ 12c	(130,099)	(621,690)
Performance Rights Expense	12c	(6,900)	(130,600)
Employee benefits expenses		(2,028,788)	(1,557,027)
Other expenses		<u>(550,454)</u>	<u>(677,270)</u>
<b>Profit/(Loss) before income tax expense</b>		(2,618,825)	(2,987,828)
Income tax expense	3a	<u>-</u>	<u>-</u>
<b>Loss after income tax expense for the period attributable to the owners of hitIQ Limited</b>		(2,618,825)	(2,987,828)
Other comprehensive income for the period, net of tax		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the period attributable to the owners of hitIQ Limited</b>		(2,618,825)	(2,987,828)

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



**Statement of Financial Position**  
**For the year ended 30 June 2020**

	<b>Note</b>	<b>2020 \$</b>	<b>2019 \$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	428,028	266,347
Trade and other receivables	6	1,222,718	982,126
Total current assets		<u>1,650,746</u>	<u>1,248,473</u>
<b>Non-current assets</b>			
Property, plant and equipment	7	101,465	66,146
Intangible Assets	8	58,493	83,493
Assets Right-of Use	4a	271,511	-
Total non-current assets		<u>431,469</u>	<u>149,639</u>
<b>Total assets</b>		<b><u>2,082,215</u></b>	<b><u>1,398,112</u></b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	9	464,866	302,882
Provisions	10	73,118	86,922
Borrowings	11	1,026,380	648,204
Total current liabilities		<u>1,564,364</u>	<u>1,038,008</u>
<b>Non-current liabilities</b>			
Lease liabilities	4b	130,994	-
Total non-current liabilities		<u>130,994</u>	<u>-</u>
<b>Total Liabilities</b>		<b><u>1,695,358</u></b>	<b><u>1,038,008</u></b>
<b>Net assets</b>		<b><u>386,857</u></b>	<b><u>360,104</u></b>
<b>Equity</b>			
Issued capital	12a	6,889,190	4,273,711
Reserves	12b	602,389	572,290
Accumulated losses		<u>(7,104,722)</u>	<u>(4,485,897)</u>
<b>Total equity</b>		<b><u>386,857</u></b>	<b><u>360,104</u></b>

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

**Statement of Changes in Equity**  
**For the year ended 30 June 2020**

	<b>Issued Capital \$</b>	<b>Retained Losses \$</b>	<b>Reserves \$</b>	<b>Total Equity \$</b>
Balance at 1 July 2018	1,758,812	(1,498,069)	-	260,743
Loss after income tax expense for the period	-	(2,987,828)	-	(2,987,828)
Total comprehensive income attributable to the owners of hitIQ Limited	-	(2,987,828)	-	(2,987,828)
Transactions with owners in their capacity as owners: <i>Contributions of equity, net of transaction costs</i>	2,334,899	-	-	2,334,899
Share based payment expense	180,000	-	441,690	621,690
Performance rights expense	-	-	130,600	130,600
Dividends Paid	-	-	-	-
Balance at 30 June 2019	4,273,711	(4,485,897)	572,290	360,104
	<b>Issued Capital \$</b>	<b>Retained Losses \$</b>	<b>Reserves \$</b>	<b>Total Equity \$</b>
Balance at 1 July 2019	4,273,711	(4,485,897)	572,290	360,104
Loss after income tax expense for the period	-	(2,618,825)	-	(2,618,825)
Total comprehensive income attributable to the owners of hitIQ Limited	-	(2,618,825)	-	(2,618,825)
Transactions with owners in their capacity as owners: <i>Contributions of equity, net of transaction costs</i>	2,604,484	-	-	2,604,484
Share issue costs	(95,905)			(95,905)
Share based payment expense	24,900	-	105,199	130,099
Share based payment exercised	82,000		(82,000)	-
Performance rights expense	-	-	6,900	6,900
Dividends Paid	-	-	-	-
Balance at 30 June 2020	6,889,190	(7,104,722)	602,389	386,857

**Statement of Cash Flows**  
**For the year ended 30 June 2020**

	Note	2020 \$	2019 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		103,809	-
Payments to suppliers and employees		(3,365,646)	(2,767,260)
Receipts - other		1,039,352	404,389
Interest Paid		<u>(86,592)</u>	<u>(14,955)</u>
Net cash used in operating activities	16	<u>(2,309,077)</u>	<u>(2,377,826)</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		<u>(63,972)</u>	<u>(64,228)</u>
Net cash used in investing activities		<u>(63,972)</u>	<u>(64,228)</u>
<b>Cash flows from financing activities</b>			
Proceeds from share issue	12a	2,604,483	2,372,200
Payments for share issue costs	12a	(95,905)	(139,301)
Net Proceeds from borrowings	16b	1,194,097	203,792
Repayment of lease liabilities	4	(147,104)	-
Repayments of lease liability principal	16b	<u>(1,020,841)</u>	<u>-</u>
Net cash from financing activities		<u>2,534,730</u>	<u>2,436,691</u>
Net increase in cash and cash equivalents		161,681	(5,363)
Cash and cash equivalents at the beginning of the financial year		<u>266,347</u>	<u>271,710</u>
Cash and cash equivalents at the end of the financial period	5	<u><u>428,028</u></u>	<u><u>266,347</u></u>

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

**Notes to the Financial Statements**  
**Annual Report - 30 June 2020**

**Note 1. Significant accounting policies**

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

**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 company'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 2.

**Going Concern**

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

For the year ended 30 June 2020, the Company incurred a net loss of \$2,618,825 (2019: Loss \$2,987,828) and experienced net cash outflows from operating activities of \$2,309,077 (2019: \$2,377,826). In addition, at the 30 June 2020 the Company had working capital of \$86,382 (2019: \$210,465).

The ability of the company to continue as a going concern is principally dependent upon the ability of the company to secure funds by raising capital from equity markets and managing cash flow in line with the available funds. These conditions indicate a material uncertainty that may cast significant doubt about the ability of the company to continue as a going concern.

Subsequent to the end of the financial year the following events have occurred:

1. The company has received \$969,846 on 17 September 2020 in relation to a Research and Development rebate in relation to the 2020 financial year. These funds were used to repay the Radium Research & Development loan.
2. The company has engaged Grevillia Capital to undertake a convertible note Pre-IPO capital raise between \$3million and \$5 million.

**Notes to the Financial Statements**  
**Annual Report - 30 June 2020**

**Going Concern (Continued)**

The directors have prepared a cash flow forecast, which indicates that the company will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this financial report.

Based on the cash flow forecasts and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate. In particular, given the company's history of raising capital to date, the directors are confident of the company's ability to raise additional funds as and when they are required.

Should the company be unable to achieve the matters as described above, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the company be unable to continue as a going concern and meet its debt when they fall due

**Revenue recognition**

Revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for those goods or services.

Revenue is recognised by applying a five-step process outlined in AASB 15 which is as follows:

- Step 1: Identify the contract with a customer;
- Step 2: Identify the performance obligations in the contract and determine at what point they are satisfied;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations; and
- Step 5: Recognise the revenue as the performance obligations are satisfied.

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the control of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation is a promise to transfer a distinct goods or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Company's customary business practices.

Revenue is measured at the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales taxes or services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Company estimates the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract. Revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

- i. the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
- i. the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- i. the Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date.

## Notes to the Financial Statements

### Annual Report - 30 June 2020

#### Revenue recognition (Continued)

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

#### *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.

#### *Government Grant*

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

#### *Changes to accounting policy*

There was no effect from the adoption of AASB 15 for the Company.

#### **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.

#### **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 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 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.

#### **Financial assets**

##### **Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

**Notes to the Financial Statements**  
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The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

**Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in four categories:

- ▶ Financial assets at amortised cost (debt instruments)
- ▶ Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- ▶ Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- ▶ Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- And
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Company's debt instruments at fair value through OCI includes investments in quoted debt instruments included under other non-current financial assets.

**Financial assets designated at fair value through OCI (equity instruments)**

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company elected to classify irrevocably its non-listed equity investments under this category.

## Notes to the Financial Statements

### Annual Report - 30 June 2020

#### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

#### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired

Or

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  - (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.



**Notes to the Financial Statements****Annual Report - 30 June 2020****Impairment of financial assets**

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Company's debt instruments at fair value through OCI comprise solely of quoted bonds that are graded in the top investment category (Very Good and Good) by the Good Credit Rating Agency and, therefore, are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such instruments on a 12-month basis.

However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses the ratings from the Good Credit Rating Agency both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

**Financial liabilities****Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

**Notes to the Financial Statements**  
**Annual Report - 30 June 2020**

**Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

**Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

**Loans and borrowings**

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings..

**Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

**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:

Plant and equipment	2-7 years
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The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

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

## Notes to the Financial Statements

### Annual Report - 30 June 2020

#### 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 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 as 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 national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

##### *Superannuation expense*

Contributions to superannuation plans are expensed in the period in which they are incurred.

#### 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.

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.

#### 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.

#### 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.

#### Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

#### Intangible assets

Research and development costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources; and intent to complete the development and its costs can be measured reliably.

Patent and trademark costs are expensed in the period in which they are incurred.

Intangible assets are amortised on a straight line basis over the estimated useful life being 5 years.

## Notes to the Financial Statements

### Annual Report - 30 June 2020

#### 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 company for the annual reporting period ended 30 June 2020. The company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

#### Leases

The Company leases various commercial properties. Until the 2019 financial year, leases of commercial properties and office equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, leases are recognised as a right of use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The right-of-use asset is depreciated over the lease term on a straight-line basis. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease Liability includes the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that are based on an index or a rate

Right of Use Assets are measured at cost comprising the following:

- The amount of the initial measurement of the lease liability net of any previously recognised onerous lease provisions; and
- Any restoration costs applicable to the lease.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less. Low-value assets comprise of office equipment.

#### Application of new and revised Accounting Standards

New, revised or amending Accounting Standards and Interpretations adopted

The Company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations are described below:

##### AASB 16 Leases

The Company has adopted AASB 16 with effect from 1 July 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

AASB 16 introduces a new framework for accounting for leases and replaces AASB 117 Leases and sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees are required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

On adoption of AASB 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessees' incremental borrowing rate as of 1 July 2019. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 3.5%.

**Notes to the Financial Statements****Annual Report - 30 June 2020**

	\$
Operating lease commitments as at 30 June 2019	527,313
Discounted using incremental borrowing rate	502,626
Less: Short term leases	(9,353)
Less: Variable lease payments not related to an index	(81,091)
Add: Extension options	13,089
<i>Lease liability recognised at 1 July 2019</i>	<u>425,271</u>

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right of use assets related entirely to properties.

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

- Right of Use Assets – increase by \$425,271
- Lease Liability – increase by \$425,271

**Practical expedients applied**

In applying AASB 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- To use a single discount rate for a portfolio of leases with reasonably similar characteristic
- Reliance on previous assessments on whether leases are onerous;
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- To use hindsight in determining the lease term where lease contracts include options to extend or terminate the lease; and
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application

**Notes to the Financial Statements**

**Annual Report - 30 June 2020**

**Note 2. 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.

**Provision for impairment of receivables**

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

**Estimation of useful lives of assets**

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

**Employee benefits provision**

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

**Note 3. Other income**

	2020 \$	2019 \$
Revenue	40,259	-
Research and development grant	969,847	857,750
Other income	252,400	45,116
Interest Income	2,697	5,290
	<u>1,265,203</u>	<u>908,156</u>

**Notes to the Financial Statements**  
**Annual Report - 30 June 2020**

**Note 3a. INCOME TAX EXPENSE**

	2020 \$	2019 \$
The components of the tax expense/(income) comprise:		
Current tax	-	-
Deferred tax	-	-
	<u>-</u>	<u>-</u>
(a) The prima facie tax on profits/(losses) from ordinary activities before income tax is reconciled to the income tax as follows:		
Profit from continuing operations	2,618,825	2,987,828
Prima facie tax benefit on loss from ordinary activities before income tax at 27.5%	<u>(720,177)</u>	<u>(821,653)</u>
Add/(subtract):		
Tax effect of:		
Current year losses not recognised	(720,177)	(821,653)
Effect of tax losses derecognised		
Other non-allowable items	5,284	888
Share based payments	37,675	157,380
Research and Development claim refund / ATO Cashflow Boost	329,398	306,375
Movement in unrecognised temporary differences	<u>347,820</u>	<u>357,010</u>
Income tax expense (benefit) attributable to entity	<u>-</u>	<u>-</u>
(b) Unrecognised deferred tax assets at 27.5% (2019: 27.5%) comprise the following:		
Deferred tax assets have not been recognized in respect to the following as they are not considered to have met the recognition criteria:		
Deductible temporary differences	158,515	127,095
Tax revenue losses	<u>3,161,874</u>	<u>1,928,494</u>
	<u>3,320,389</u>	<u>2,055,589</u>

**Note 4. Leases**

The Company held leases for office space during the year. The average remaining lease term at 30 June 2020 is 1.8 years.

Total expense related to short-term leases is \$23,231

Total cash outflow for leases is \$170,335, of which \$147,104 relates to repayment of rights of use assets

Refer to note 1 for further details on the adoption of AASB 16 Leases.

Depreciation expense relating to ROU assets is \$153,760

Lease interest expense is \$13,138

**Notes to the Financial Statements**  
**Annual Report - 30 June 2020**

**Note 4a Right of Use Assets**

	<b>2020 \$</b>	<b>2019 \$</b>
Opening Right of Use Assets	425,271	-
Additions during the year	-	-
Depreciation	(153,760)	-
<b>Closing Balance</b>	<b><u>271,511</u></b>	<b><u>-</u></b>

**Note 4b Lease Liability**

Opening Lease Liability	425,271	-
Additions during the year	-	-
Interest expense	13,138	-
Repayments	(147,104)	-
<b>Closing Balance</b>	<b><u>291,305</u></b>	<b><u>-</u></b>
Lease Liability - Current	160,311	-
Lease Liability – Non-current	130,994	-
<b>Total Lease Liability</b>	<b><u>291,305</u></b>	<b><u>-</u></b>



**Notes to the Financial Statements**  
**Annual Report - 30 June 2020**

**Note 5. Current assets - cash and cash equivalents**

	2020 \$	2019 \$
Cash at bank	428,028	266,347
	<u>428,028</u>	<u>266,347</u>

**Note 6. Current assets - trade and other receivables**

	2020 \$	2019 \$
Trade Receivables	55,000	-
Lease Bond – Bank Guarantee	52,240	52,240
GST Receivable	15,453	44,791
Sundry Debtors	102,931	2,652
Prepayments	27,247	24,693
Research and Development Grant Receivable	969,847	857,750
	<u>1,222,718</u>	<u>982,126</u>

**Note 7. Property, plant & equipment**

	2020 \$	2019 \$
Leasehold improvements at cost	4,970	4,970
Less : accumulated depreciation	(2,552)	(2,283)
Office equipment at cost	99,006	82,308
Less : accumulated depreciation	(42,325)	(18,849)
Plant & Equipment at cost	47,274	-
Less : accumulated depreciation	(4,908)	-
	<u>101,465</u>	<u>66,146</u>

**Movements in carrying amounts**

	Leasehold Improv.	Plant & Equipment	Office Equipment	Total
Balance – 1 July 2019	2,687	-	63,459	66,146
Additions	-	47,274	16,698	63,972
Depreciation expense	(268)	(4,908)	(23,477)	(28,653)
Balance – 30 June 2020	<u>2,419</u>	<u>42,366</u>	<u>56,680</u>	<u>101,465</u>

**Note 8. Intangible Assets**

	2020 \$	2019 \$
Intellectual Property	125,000	125,000
Less : accumulated amortisation	(66,507)	(41,507)
	<u>58,493</u>	<u>83,493</u>

## Annual Report - 30 June 2020

## Note 9. Current liabilities – trade and other payables

	2020 \$	2019 \$
Trade Creditors	109,483	96,515
Other Payables	187,376	22,888
PAYG Withholding Payable	21,914	140,190
Superannuation Payable	27,543	43,289
Contract liability	118,550	-
	<u>464,866</u>	<u>302,882</u>

## Note 10. Current liabilities - Provisions

	2020 \$	2019 \$
Employee entitlements	73,118	86,922
	<u>73,118</u>	<u>86,922</u>

## Note 11. Borrowings

	2020 \$	2019 \$
Credit Cards	35,136	31,952
Loan – Radium (i)	754,262	588,000
Loan – Fifo Capital	50,414	-
Insurance Premium Funding	26,257	28,252
Lease Liabilities (ii)	160,311	-
	<u>1,026,380</u>	<u>648,204</u>

(i) On 21 January 2020, the company signed a facility of \$529,231 agreement with Radium Capital along with a further \$188,763 on 16 March 2020. The total outstanding as of 30 June 2020 is \$754,262. As at the date of this report, the facility has been paid in full. The facility was advanced against the expected R&D refund from the ATO on or before 31 August 2020 and carries interest rate at 14%.

(ii) Refer to Note 4 for further details on the adoption of AASB16 - Leases

## Note 12a. Equity - issued capital

	2020 Shares	2019 Shares	2020 \$	2019 \$
Ordinary shares - fully paid	<u>67,783,601</u>	<u>49,621,042</u>	<u>6,889,190</u>	<u>4,273,711</u>

## Movements in ordinary share capital

Details	Date	Note	No of shares	Issue price	\$
Opening Balance	30-Jun-19		49,621,042		4,273,711
Issue of shares			17,363,226		2,604,484
Conversion of Rights			633,333		82,000
Issue costs			-		(95,905)
Closing Balance	30-Jun-20		<u>67,617,601</u>		<u>6,864,290</u>

Details	Date	Note	No of shares	Issue price	\$
Opening Balance	30/06/2019		49,621,042		4,273,711
Issue of shares - cash	29/08/2019		7,052,862	0.15	1,057,929
Issue of shares - cash	10/10/2019		5,127,003	0.15	769,050
Issue of shares - cash	18/12/2019		1,333,334	0.15	200,000
Issue of shares - cash	19/02/2020		1,666,701	0.15	250,005
Issue of shares - cash	16/03/2020		666,666	0.15	100,000
Issue of shares - cash	25/05/2020		1,516,660	0.15	227,499
Issue of shares - share based payment	10/10/2019	12(c) / (i)	116,000	0.15	17,400
Issue of shares - share based payment	18/03/2020	12(c) / (ii)	50,000	0.15	7,500
Conversion of Rights	10/09/2019	12(c)	333,333	0.12	40,000
Conversion of Rights	18/03/2020	12(c)	100,000	0.12	12,000
Conversion of Rights	18/03/2020	12(c)	200,000	0.15	30,000
Capital Raising Fee					(95,905)
Closing Balance			<u>67,783,601</u>		<u>6,889,190</u>

**Notes to the Financial Statements****Annual Report - 30 June 2020****Note 12a. Equity - issued capital (continued)**

- (i) 116,000 shares were issued to the Company Secretary for the part of the services performed during the year, valued at \$17,400
- (ii) 50,000 shares were issued to Benjamin Nizette for his relocation from Canberra to Melbourne, valued at \$7,500

**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.

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.

**Note 12b. Equity - reserves**

For information relating to the options scheme, including details of options issued, issued and lapsed during the financial year, and the options outstanding at balance date, refer to Note 12.c

Details	Date	2020 No	2019 No
Opening Balance		5,800,000	-
Consultant Options Ex \$0.20	23/01/2019	-	3,000,000
Zero Strike Price	29/04/2019	-	1,000,000
Consultant Options Ex \$0.50	29/04/2019	-	1,800,000
Unlisted Options ex \$0.30	17/12/2019	2,500,000	-
Unlisted Options ex \$0.30	16/03/2020	1,333,334	-
Unlisted Options ex \$0.30	25/05/2020	758,330	-
Closing Balance		<u>10,391,664</u>	<u>5,800,000</u>

**Performance Rights**

For information relating to the performance rights scheme, including details of performance rights issued, issued and lapsed during the financial year, and the performance rights outstanding at balance date, refer to Note 11.c

Details	Date Granted	Granted	Exercised	2020 No	2019 No
Opening Balance				1,500,000	-
Consultant – Various					
Berry Enterprises Pty Ltd		-	(333,333)	(333,333)	1,000,000
Damien Peter Hawes	20/12/2019	250,000	-	250,000	250,000
Nizette Investment Trust	20/12/2019	275,000	(175,000)	100,000	250,000
Thomas Laudenbach	8/10/2019	125,000	(125,000)	-	-
Total Consultant				<u>16,667</u>	<u>1,500,000</u>
Closing Balance				<u>1,516,667</u>	<u>1,500,000</u>

**Equity - Reserves**

Details	Date	2020 \$	2019 \$
Option Reserve		546,889	441,690
Performance Rights		<u>55,500</u>	<u>130,600</u>
		<u>602,389</u>	<u>572,290</u>

The reserve records the value of options and performance rights issued the Company to its employees and consultants

**Notes to the Financial Statements**  
**Annual Report - 30 June 2020**

**Note 12c. Equity – Share Based Payments**

The following share-based payment arrangements were in existence during the reporting period:

Option Series	Number	Grant Date	Expiry Date	Exercise Price
<i>Consultants Options</i>	3,000,000	23-Jan-19	10-Dec-23	\$0.20
<i>Zero Exercise Price</i>	1,000,000	29-Apr-19	1-May-22	Nil
<i>Consultants Options</i>	1,800,000	29-Apr-19	1-May-22	\$0.50
<i>Consultants Options</i>	2,500,000	17-Dec-19	15-Nov-22	\$0.30
<i>Consultants Options</i>	1,333,334	16-Mar-20	18-Dec-23	\$0.30
<i>Consultants Options</i>	758,330	25-May-20	30-Jun-22	\$0.30

The fair value of share options at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date, the expected price volatility of the underlying share and the risk-free rate for the term of the option. The fair value of share options issued during the year was \$105,199.

The model inputs for options granted during the year ended 30 June 2020 are as follows:

**Consultant Options**

During the financial year the company issued options to various consultants and shareholders to assist with the capital raising during the year:

Issued to	Grant Date	Number of Options	Contractual Life of Options	Expected price volatility	Risk-free interest rate	Share Price	Fair Value	Exercise Price
Advisor Options	17-Dec-19	2,500,000	3 years	70%	1.00%	0.15	0.04	0.30
Collingwood Football Club	16-Mar-20	1,333,334	3 years	(i)				
Shareholder Options	25-Feb-20	758,330	2 years	(ii)				

(i) Options issued to Collingwood FC are free attaching options for the funds raised on 18 December 2019

(ii) Options issued to Shareholders are free attaching options for the funds raised on the 25 May 2020. The 1 options were issued for every 2 shares raised.

**Notes to the Financial Statements**  
**Annual Report - 30 June 2020**

**Note 12c. Equity – Share Based Payments (Continued)**

*Xero Exercise Price Options*

On 10 September 2019 333,333 Xero Exercise Price Options vested and were converted into fully paid ordinary shares.

*Performance Rights*

The following performance rights arrangements were in existence during the reporting period:

The fair value of performance rights recognised during the year was \$30,000.

The reversal of performance rights expenses amounting to \$23,100 arising from the change in the expected probability of meeting vesting conditions.

All valuations of the performance shares were performed on the initial grant date values and are reflected in the model inputs below.

Issued to	Share price at grant date	Issue date	Term of the performance rights	Vesting Condition	Probability performance condition is met	Fair value of performance rights issued	Performance Condition Satisfied
Berry Enterprises Pty Ltd ATF the Berry Trust	\$ 0.12	29-Apr-19	3 years from date of issue	333,333 vest upon the completion of a Pre-IPO raise or other capital investment product to raise no less than \$4m.	70%	\$ 28,000	Yet to be met
			3 years from date of issue	333,334 vest upon lodgment of a prospectus with the ASX (or other stock exchange in the world) for the IPO of the Company, or a trade sale, or investment that values the Company at a minimum of AUD \$30m.	50%	\$ 20,000	Yet to be met
Damien Peter Hawes as trustee for the DP Hawes Trust	\$ 0.12	29-Apr-19	31-Dec-20	125,000 vest upon the Company reaching \$2m in revenue by 31 December 2020.	0%	-	Yet to be met
			31-Dec-21	125,000 vest upon the Company reaching \$4m revenue by 31 December 2021	50%	7,500.00	Yet to be met
			31-Dec-20	125,000 vest upon the Company reaching \$1.4m in revenue by 31 December 2020	0%	-	Yet to be met
			27-Feb-20	125,000 vest upon the company securing signed trial or commercial agreements with ten Football Bowl subdivision teams from either the Power 5 conferences or NCAA Division 2 FBS independent schools, Notre Dame University and Brigham Young University by 27 February 2020	0%	-	Yet to be met

**Notes to the Financial Statements**  
**Annual Report - 30 June 2020**

Issued to	Share price at grant date	Issue date	Term of the performance rights	Vesting Condition	Probability performance condition is met	Fair value of performance rights issued	Performance Condition Satisfied
Benjamin Edwin Nizette and Aimee Elizabeth Nizette as trustees for the Nizette Investment Trust	\$ 0.12	29-Apr-19	3 years from date of issue	100,000 vest upon delivering 500 mouth guards under 8% failure rate for a minimum of 12 month period.	0%	-	Yet to be met
			3 years from date of issue	100,000 Vest upon delivering the first 500 mouth guards with fewer than 10% of players experiencing in-field failure as at 01 October 2019 or 25,000 performance rights upon delivering the first 500 mouth guards with fewer than 20% of players experiencing in-field failure as at 01 October 2019	0%	-	Yet to be met
	\$ 0.15	20-Dec-19	5 years from date of issue	Vest upon the company achieving AUD \$1.4m in revenue by 31 December 2020	0%	-	Yet to be met
			3 years from date of issue	Vest upon continuing re-location to Melbourne HQ through June 30 2021	0%	-	Yet to be met

The fair value of share issued in relation to the share based payments recognised during the year was \$180,000.

On 16 March 2020 the board resolved that 250,000 performance rights issued to Benjamin Nizette on 29 April 2019 had met the vesting conditions and were converted to fully paid ordinary shares.

Additionally, the board agreed to issue a further 50,000 fully paid ordinary shares to Mr Nizette to compensate for his extension in relocation.

On 16 March 2020 the board resolved to issue employee Thomas Laudenbach 125,000 fully paid ordinary shares for being continually employed by the company for a period of 24 months from his commencement date of 5 March 2018.

**Notes to the Financial Statements****Annual Report - 30 June 2020****Note 13. Remuneration of auditors**

During the financial period the following fees were paid or payable for services provided by Bentleys WA Pty Ltd, the auditor of the Company, its network firms and unrelated firms:

**Notes to the Financial Statements****Annual Report - 30 June 2020**

	2020 \$	2019 \$
<i>Audit services – Bentleys</i>		
Audit or review of the financial statements	9,000	9,000
	<hr/>	<hr/>

**Note 14. Contingent liabilities**

There were no contingent liabilities at 30 June 2020

**Note 15. Dividends**

	2020 \$	2019 \$
Dividend paid	-	-
	<hr/>	<hr/>

**Note 16. Cash flow information****a) Reconciliation of cash flow from operations to loss after income tax**

	2020 \$	2019 \$
Loss after income tax expense for the period	(2,618,825)	(2,987,828)
Adjustments for:		
Depreciation of Plant & Equipment	28,653	16,568
Depreciation of Right of Use assets	153,760	-
Amortisation of Intellectual Property	25,000	25,000
Share based payments	112,699	621,690
Performance rights	6,900	130,600
Consultancy fee – Share based payments	17,400	72,000
Accounting fee – Share based payments	-	12,000
Change in operating assets and liabilities:		
(Increase)/Decrease in trade receivables	(55,000)	(433,679)
(Increase)/Decrease in other receivables	(185,592)	(93,575)
Increase/(Decrease) in trade creditors	219,732	204,370
Increase/(Decrease) in other payables	-	-
Increase/(Decrease) in provisions	(13,804)	55,028
	<hr/>	<hr/>
Net cash deficit from operating activities	<u>(2,309,077)</u>	<u>(2,377,826)</u>

**Notes to the Financial Statements**  
**Annual Report - 30 June 2020**

b) Reconciliation of liabilities arising from financing activities

	2019 \$	Repayment of borrowings	Proceeds from borrowings	Interest	Other	2020 \$
<b>Credit Cards</b>	31,952	(393,137)	396,321	-	-	35,136
<b>Radium Loan</b>	588,000	(588,000)	717,995	43,530	(7,263)	754,262
<b>Fifo Capital Loan</b>	-	-	44,000	6,414	-	50,414
<b>Insurance Premium</b>	28,252	(39,704)	35,781	1,928	-	26,257
<b>Total</b>	648,204	(1,020,841)	1,194,097	51,872	(7,263)	866,069

**Note 17. Financial instruments**

**Financial risk management objectives**

The Company's principal financial instruments comprise receivables, payables, borrowings, cash and short-term deposits.

The Board of Directors has overall responsibility for the oversight and management of the Company's exposure to a variety of financial risks (including fair value interest rate risk, credit risk, liquidity risk and cash flow interest rate risk).

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

**Interest rate risks**

Interest rate risk is the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from fluctuations in interest-bearing financial assets and liabilities that the Company uses.

Interest-bearing assets comprise cash and cash equivalents which are considered to be short-term liquid assets.

The Company's exposure to market interest rates relates to borrowings held at both fixed and variable rates. The Board constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions.

**Credit risk**

The maximum exposure to credit risk at balance date is the carrying amount (net of provision of doubtful debts) of those assets as disclosed in the Statement of Financial Position and notes to the financial statements. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

**Liquidity risk**

The responsibility for liquidity risk management rests with the Board of Directors. The Company manages liquidity risk by maintaining sufficient cash or credit facilities to meet the operating requirements of the business and investing excess funds in highly liquid short term investments.

**Price risk**

The company is not exposed to any significant price risk.

**Fair value of financial instruments**

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

**Note 18. Events after the reporting period**

1. The company received \$969,846 on 17 September 2020 in relation to a Research and Development rebate for the 2020 financial year. These funds were used to repay the research and developments loans to Radium and payout the ATO liabilities.

2. . The company has engaged Grevillia Capital to undertake a convertible note pre-ipo capital raise of between \$3mil and \$5mil.



**Notes to the Financial Statements**  
**Annual Report - 30 June 2020**

**Note 19. Commitments and contingencies**

Operating Lease Commitments

From 1 July 2019, the Group adopted AASB 16 Leases and the Group has recognised the right-of-use assets and lease liabilities for previous non-cancellable operating leases, other than short-term leases

Future minimum rentals payable under the non-cancellable operating leases as at 30 June 2020 are as follows:

	2020 \$	2019 \$
Within one year	-	194,863
After one year but not more than five years	-	332,450
More than five years	-	-
	<hr/>	<hr/>
	-	527,313

**Note 20. Key management personnel disclosures**

*Compensation*

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

	2020 \$	2019 \$
Short-term employee benefits	185,567	240,330
Share based payments	-	186,000
	<hr/>	<hr/>
	185,567	426,330

*Transactions with related parties*

The following transactions occurred with related parties:

	2020 \$	2019 \$
Payment for goods and services:		
Payments to Optima Financial Group Pty Ltd (director related entity of Philip Carulli)		
- Bookkeeping services	6,963	13,050
- Accounting services (\$12,000 converted to equity)	12,546	24,372
	<hr/>	<hr/>
	19,509	37,422

**Notes to the Financial Statements**  
**Annual Report - 30 June 2020**

**Directors' Declaration**

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 1 to the financial statements;
  - the attached financial statements and notes thereto give a true and fair view of the Company's financial position as at 30 June 2020 and of its performance for the financial period ended on that date;
  - there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- and

On behalf of the Directors



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Michael Vegar  
Director



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Philip Carulli  
Director

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

## Independent Auditor's Report

### To the Members of HitIQ Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of HitIQ Limited ("the Company"), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

- a. the accompanying financial report of the Company is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Company's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

#### Basis for Opinion

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

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

#### Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report which indicates that the Company incurred a net loss of \$2,618,825 during the year ended 30 June 2020. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in this respect of this matter.

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# Independent Auditor's Report

To the Members of HitIQ Limited (Continued)



## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

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

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

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

## Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state in accordance with Australian Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has 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 this financial report.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

## Independent Auditor's Report

To the Members of HitIQ Limited (Continued)



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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

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

  
**BENTLEYS**  
Chartered Accountants

  
**CHRIS NICOLOFF CA**  
Partner

Dated at Perth this 9<sup>th</sup> day of November 2020