



APPSVILLAGE AUSTRALIA LIMITED

ABN: 50 626 544 796

INTERIM REPORT

30 JUNE 2021

AppsVillage Australia Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	AppsVillage Australia Limited
ABN:	50 626 544 796
Reporting period:	For the half-year ended 30 June 2021
Previous period:	For the half-year ended 30 June 2020

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

				US\$
Revenues from ordinary activities	down	61.2%	to	214,317
Loss per share attributable to the owners of AppsVillage Australia Limited	down	59.9%	to	0.012
Loss for the half year attributable to the owners of AppsVillage Australia Limited	down	37.9%	to	(1,280,587)

3. NET TANGIBLE ASSETS PER SHARE

Net tangible asset backing per ordinary security as at Balance Date	Not Applicable	-	-
---	----------------	---	---

4. DIVIDENDS

No Dividends have been paid or declared during the interim report.

5. DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD

Control gained over entities

Not Applicable

Loss of control over entities

Not Applicable

6.DETAILS OF ASSOCIATE AND JOINT VENTURE ENTITIES

Not Applicable

7. FOREIGN ENTITIES

AppsVillage LTD (Israel), Appsvillage Inc (USA)

8. COMMENTS

Following the COVID 19 Lockdown there has been a significant impact on the ability of Small-Medium-Businesses ("**SMB**") to operate their stores.

In anticipation of full rollout of the company's next generation platform AdRabbit:

- To shorten the product development cycles, the Company has expedited its R&D expenditure by 45% compared to same period in 2020; and
- The Company has reduced its expenditure on marketing and customer acquisition by 85% compared to same period in 2020.

Operational update

During the first half of 2021 the company kept reducing certain costs on one hand and increasing the essential expenses on the other. The company spent on sales and marketing \$222k in 2021 compared to \$1,470k in 2020, focusing on customers with clear return on its investment in anticipation of the full rollout of its disruptive, next generation platform – AdRabbit.

The Company kept its full R&D staff spending \$555k in 2021 compared to \$381k in 2020 acknowledging that this is its most valued asset that shall ensure the Company's leadership as an SMBs' advertising platform.

At the same time the Company has increased its administration and corporate costs of \$614k in 2021 compared to \$458k in 2020 to ensure a timely listing on the TSXV.

Since listing, APV has demonstrated its ability to rapidly scale customer and revenue growth and has now pivoted to focus on executing its long-term growth strategy. This strategy specifically focuses on delivering profitable customer growth by significantly improving customer value, retention and Return-on-Investment ("**ROI**"). In doing so, APV will deliver reduced customer acquisition costs and improved customer retention rates.

AppsVillage continues execution of this strategy and is heavily focused on improving the usability and efficacy of its advertising and promotional campaign AI platform (AdRabbit). Pilot and preliminary testing has delivered positive results and the Company remains confident in its ability to add increasing value to its customers as it progresses its strategy.

Launch of AdRabbit, APV's artificial intelligence advertising agent for SMBs on social networks

AppsVillage launched the second generation of its advertising campaign management AI platform, AdRabbit, for intelligent automation of online advertising.

AdRabbit was launched to serve as a virtual marketing manager for SMBs, enabling intelligent management of online advertisements and promotional campaigns.

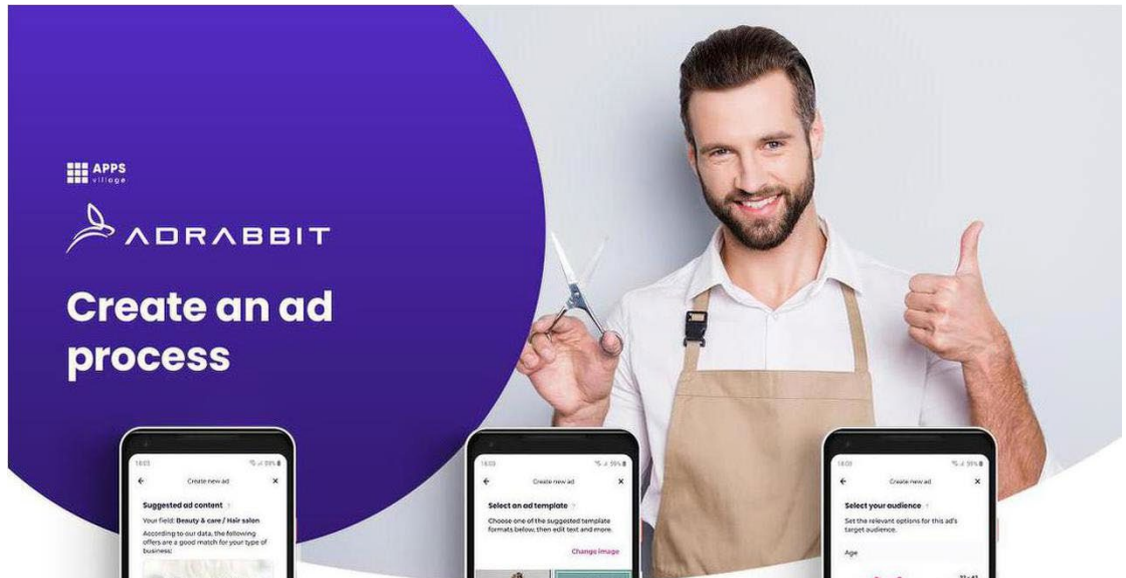
The algorithm leverages information from the SMBs existing Facebook page and previous campaigns to construct bespoke future campaign parameters that will yield improved customer reach, call to actions and user conversion results.

More specifically AdRabbit is intended to function as an automation of the full cycle of a digital advertising campaign for an SMB, from Ad creation through running the campaign and managing leads. The following are the key service features of AdRabbit that are either currently available or planned for the commercial version:

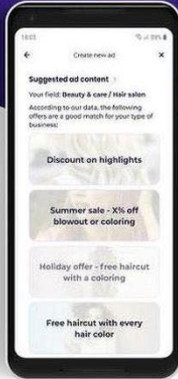
- the Company has developed AdRabbit which offers an automated, tailored ad offering for the SMB category, including the type of offering, text and creatives, based on the particular vertical for each SMB (i.e., an SMB is not required to have a content marketing writer or a graphic designer with respect to ad creation, but can use AdRabbit's automated offering to suggest an appropriate design and promotion based on the applicable vertical);
- generate pre-made ad templates with dedicated content (text and images) and design or allow the user to upload its own creatives;
- template editor where the user can edit the template, text and graphics;
- campaign intent indicating the call to action in respect of the lead generation via various contact methods (Phone call, WhatsApp, Messenger & Contact forms);
- ad demographics recommendations;

AppsVillage Australia Limited
Appendix 4D
Half-year report


- direct e-commerce integrations to user's e-commerce site, such as Shopify, WooCommerce, etc. (this feature is still in development and is subject to integration with these platforms in the future);
- budget recommendations based on the type of SMB (this feature is still in development); and
- directing the SMB to the right social media and advertising platform that is most suitable for such SMB's particular vertical (still in development).



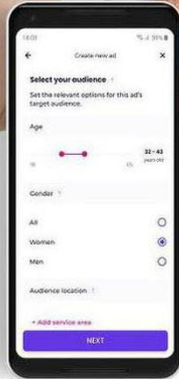
APPS village
ADRABBIT
Create an ad process



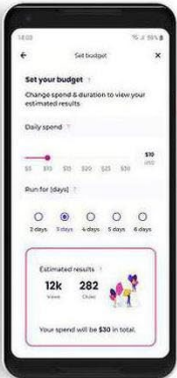
Choose tailored made offering for the specific users category



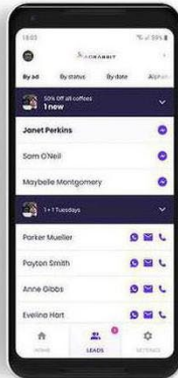
User choose premade template with ad and can edit it (both content and design) or can upload his own creatives




User choose demographics and ad contact method (Whatsapp, Phone call, Messenger or Landing page)



User gets budget recommendation for which social networks to run his ad



User receives leads directly to his mobile app



9. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

10. Attachments

Details of attachments (if any):

The Interim Report of AppsVillage Australia Limited for the half-year ended 30 June 2021 is attached.



Signed

Mr. Max Bluvband

Chief Executive Officer

Date: 31 August, 2021

AppsVillage Australia Limited

ABN 50 626 544 796

Interim Report - 30 June 2021

AppsVillage Australia Limited
Directors' report
30 June 2021

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of AppsVillage Australia Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 30 June 2021.

Board of Directors

The following persons were directors of AppsVillage Australia Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Bahram Nour Omid	Non-Executive Chairman
Yoav Ziv	Non-Executive Director
Max Bluvband	Executive Director
Shahar Hajdu	Executive Director
Andrew Whitten	Non-Executive Director (replaced as secretary on 12 March 2021)
Noah Hershcoviz	Non-Executive Director (appointed on 22 June 2021)
David Hwang	Company's Secretary (appointed on 12 March 2021)

Principal activities

AppsVillage Australia Limited is a software-as-a-service ("SaaS") company that commenced activities in 2016.

AppsVillage provides an easy and inexpensive SaaS solution that allows small-to-medium businesses to create and manage their own mobile application as a means of connecting with their customers and growing their business.

AppsVillage's technology has automated the design, development, maintenance and marketing of mobile apps, allowing any business to build, preview and launch their own application without have any code writing or digital marketing knowledge.

AppsVillage launched the second generation of its Facebook advertising campaign management software, JARVIS, for intelligent automation of online advertising. JARVIS was launched to serve as a virtual marketing manager for SMBs, enabling intelligent management of online advertisements and promotion campaigns. The algorithm leverages information for the SMBs existing Facebook page and previous campaigns to construct bespoke future campaign parameters that will yield improved customer reach, call to actions and user conversion results.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to US\$1,280,587 (30 June 2020: US\$2,062,097), including non-cash share base payments of US\$106,733 (30 June 2020: US\$226,253).

Capital Raising

The company has successfully completed a placement of institutional and private investors of US\$0.58 million after costs. Additionally, an amount of US\$0.5 million was raised via a convertible loan in anticipation of completion of the dual listing process with TSXV. The Company is progressing with further funds raising in the next few months.

The terms for the conversion of the convertible loan - Price per share reflecting the lower of (i) a fully-diluted valuation of the Company of US\$12,000,000 prior to conversion of the loans, (ii) 85% of the price per share paid in the dual listing as shall be actually paid by the public or as per the M&A event, but in any case not more than the price per share reflecting a fully-diluted valuation of US\$16,000,000, and (iii) the issue price of any equity raise within 12 months of the agreement.

The convertible loan is for a 6 months period, which can be extended by another 6 months at the discretion of the Lender. The Lender may increase the loan to US\$1,500,000 on the same terms.

AppsVillage Australia Limited
Directors' report
30 June 2021

COVID – 19 Pandemic

The World Health Organization announced that the new coronavirus disease (COVID-19) had become a pandemic on 11 March 2020. The Group has developed policies and procedures to address the health and wellbeing of employees. The timing, extent of the impact and recovery from COVID-19 on our employees, customers and suppliers is unknown at this stage, but it may have an impact on activities and potentially a post balance date impact.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

Events after the reporting period

Listing on TSXV

The Company is considering a dual listing on the TSX Venture Exchange ("TSXV") in Canada. The dual ASX / TSXV listing aims to increase Company's exposure to institutional and private investors and drive trading volumes and research coverage.

COVID – 19 Pandemic

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not significantly impacted the consolidated entity up to 30 June 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial periods.

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.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Max Bluvband
Chief Executive Officer

31 August 2021

DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF APPSVILLAGE AUSTRALIA LIMITED

As lead auditor for the review of AppsVillage Australia Limited for the half-year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of AppsVillage Australia Limited and the entities it controlled during the period.



Dean Just
Director

BDO Audit (WA) Pty Ltd
Perth, 31 August 2021

AppsVillage Australia Limited

Contents

30 June 2021

Consolidated Statement of profit or loss and other comprehensive income	5
Consolidated Statement of financial position	6
Consolidated Statement of changes in equity	7
Consolidated Statement of cash flows	8
Notes to the financial statements	9
Directors' declaration	17
Independent auditor's review report to the members of AppsVillage Australia Limited	18

General information

Functional and presentation currency

The functional currency of each entity within the Group is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in US dollars in which the consolidated entity derives its revenue.

AppsVillage Australia 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

Level 5
126 Philip Street
Sydney NSW 2000
Australia

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 31 August 2021.

AppsVillage Australia Limited
Consolidated Statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2021

	Note	Consolidated 30 Jun 2021 US\$	30 Jun 2020 US\$
Revenue from contracts with customers	4	214,317	552,341
Expenses			
Cost of revenues - commissions		(20,280)	(67,678)
Research and development		(555,198)	(380,656)
Selling and marketing		(221,578)	(1,470,326)
General and administrative		(614,365)	(457,719)
Share-based payments	6	(106,733)	(226,253)
Other income (expenses)		<u>20,842</u>	<u>(13,496)</u>
Loss before finance expenses		(1,282,995)	(2,063,787)
Finance income	5	6,789	4,195
Finance expense		<u>(4,381)</u>	<u>(2,505)</u>
Loss before income tax		<u>(1,280,587)</u>	<u>(2,062,097)</u>
Income tax expense		<u>-</u>	<u>-</u>
Loss after income tax for the half-year		<u>(1,280,587)</u>	<u>(2,062,097)</u>
Other comprehensive (loss) income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation difference		<u>(17,526)</u>	<u>(5,908)</u>
Total comprehensive loss for the half-year attributable to owners of the company		<u>(1,298,113)</u>	<u>(2,068,005)</u>
		Cents	Cents
Basic loss per share attributable to owners of the Company (cents per share)		(1.24)	(3.09)

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

AppsVillage Australia Limited
Consolidated Statement of financial position
As at 30 June 2021

	Note	Consolidated 30 Jun 2021 US\$	31 Dec 2020 US\$
Assets			
Current assets			
Cash and cash equivalents		647,197	818,049
Other Assets		51,274	44,772
Trade and other receivables		111,957	116,578
Total current assets		<u>810,428</u>	<u>979,399</u>
Non-current assets			
Property, plant and equipment		12,027	14,121
Right-of-use assets		34,611	46,920
Total non-current assets		<u>46,638</u>	<u>61,041</u>
Total assets		<u>857,066</u>	<u>1,040,440</u>
Liabilities			
Current liabilities			
Trade and other payables		442,062	522,224
Borrowings	7	500,000	-
Employee provisions		150,978	154,116
Contract liability	8	120,290	153,659
Lease liabilities		24,797	27,268
Total current liabilities		<u>1,238,127</u>	<u>857,267</u>
Non-current liabilities			
Lease liabilities		6,903	19,807
Total non-current liabilities		<u>6,903</u>	<u>19,807</u>
Total liabilities		<u>1,245,030</u>	<u>877,074</u>
Net assets/(liabilities)		<u><u>(387,964)</u></u>	<u><u>163,366</u></u>
Equity			
Issued capital	9	10,228,087	9,588,036
Reserves		1,287,815	1,198,608
Accumulated losses		<u>(11,903,865)</u>	<u>(10,623,278)</u>
SHAREHOLDERS' EQUITY/(DEFICIT)		<u><u>(387,964)</u></u>	<u><u>163,366</u></u>

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

AppsVillage Australia Limited
Consolidated Statement of changes in equity
For the half-year ended 30 June 2021

	Issued Capital	Accumulated losses	Share-based payment reserve	Foreign Currency Translation Reserve	Predecessor accounting reserve	Total
	US\$	US\$	US\$	US\$	US\$	US\$
Balance at 1 January 2020	7,967,290	(7,257,996)	951,397	160,343	(159,202)	1,661,832
Loss for the period	-	(2,062,097)	-	-	-	(2,062,097)
Other comprehensive (loss)/income	-	-	-	(5,908)	-	(5,908)
Total comprehensive Income/(loss) for the year	-	(2,062,097)	-	(5,908)	-	(2,068,005)
Transactions with owners in their capacity as owners:	-	-	-	-	-	-
Share based payments	-	-	226,253	-	-	226,253
Balance at 30 June 2020	7,967,290	(9,320,093)	1,177,650	154,435	(159,202)	(179,920)
Balance at 1 January 2021	9,588,036	(10,623,278)	1,200,457	157,353	(159,202)	163,366
Loss for the period	-	(1,280,587)	-	-	-	(1,280,587)
Other comprehensive (loss)/income	-	-	-	(17,526)	-	(17,526)
Total comprehensive Income/(loss) for the period	-	(1,280,587)	-	(17,526)	-	(1,298,113)
Issuance of shares	670,744	-	-	-	-	670,744
Capital raising costs	(30,693)	-	-	-	-	(30,693)
Share based payments – Note 6	-	-	106,733	-	-	106,733
Balance at 30 June 2021	10,228,087	(11,903,865)	1,307,190	139,827	(159,202)	(387,964)

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

AppsVillage Australia Limited
Consolidated Statement of cash flows
For the half-year ended 30 June 2021

	Consolidated	
	30 Jun 2021	30 Jun 2020
	US\$	US\$
Cash flows from operating activities		
Receipts from customers	180,948	466,154
Payments to suppliers and employees	(1,418,467)	(2,552,876)
Tax refunds/(payments)	37,465	(1,959)
	<u>(1,200,054)</u>	<u>(2,088,681)</u>
Net cash used in operating activities		
Cash flows from investing activities		
Investment in deposit	(15,688)	-
Payments for property, plant and equipment	(1,679)	(2,657)
	<u>(17,367)</u>	<u>(2,657)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Proceeds from issue of shares (net of costs)	613,231	-
Proceeds from loans	500,000	-
Payment of share issue costs	(30,693)	-
Investments in restricted cash	-	(8,074)
Repayment of lease liability	(22,267)	(10,508)
	<u>1,060,271</u>	<u>(18,582)</u>
Net cash (used in)/generated from financing activities		
Net increase/(decrease) in cash and cash equivalents	(157,150)	(2,109,920)
Cash and cash equivalents at the beginning of the financial half-year	818,049	2,662,198
Effects of exchange rate changes on cash and cash equivalents	(13,702)	(6,312)
	<u>647,197</u>	<u>545,966</u>
Cash and cash equivalents at the end of the financial half-year		

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

Note 1: General Information

AppsVillage Australia Limited is a listed public company, trading on the Australian Securities Exchange, limited by shares, incorporated and domiciled in Australia.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

The Group's registered office and principal place of business is disclosed in the corporate directory.

This half-year financial report was authorized for issue by the directors on 31 August 2021.

Statement of compliance

The half-year financial report is a general-purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include full disclosure of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full understanding of the financial performance, financial position and cash flows of the Company as in the full financial report. It is recommended that this half-year report be read in conjunction with the annual report for the year ended 31 December 2020 and any public announcements made by the company up to the date of this report in accordance with the continuous disclosure requirements arising under the ASX Listing Rules.

Basis of measurement and reporting conventions including capital reorganization

The half-year report has been prepared on an accruals basis and is based on historical cost, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The half-year report is presented in United States dollars (US\$) and all values are rounded to the nearest dollar unless otherwise stated.

Note 2: Application of new and revised Australian Accounting Standards

2.1 Adoption of new and revised Accounting Standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current half-year.

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

Note 3. Significant accounting policies

The principal accounting policies adopted are consistent with the accounting policies adopted in AppsVillage Australia Limited last annual financial statements for the year ended 31 December 2020, except for:

Financial Liabilities

The Company's accounting policy for its financial liabilities is as follows:

Fair value: This category comprises of convertible securities and warrants which are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in the consolidated statement of profit or loss and other comprehensive income. The treatment of the changes in the credit risk of those items were designated for being recognized in other comprehensive income.

Amortized cost: Other financial liabilities include bank borrowings, loans from bank, trade payables, loan from major shareholder, leases and other financial liabilities are initially recognized at fair value less any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortized cost using the effective interest method, which ensures that any interest expense over the period is at a constant interest rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs, as well as any interest or coupon payable while the liability is outstanding.

Going Concern

The half year financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realization of assets and the settlement of liabilities in the ordinary course of business. During the period ended 30 June 2021, the consolidated entity incurred losses of \$1,280,587 (30 June 2020: \$2,062,097), net cash outflows from operating activities of \$1,200,054 (30 June 2020: \$2,088,681), and at 30 June 2021 with working capital deficiency of \$427,699 (31 December 2020 with working capital surplus of \$122,132) and cash on hand of \$647,197 (31 December 2020: \$818,049).

On 31 January 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. Because of the rapid increase in exposure globally, on 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic. These events are having a significant negative impact on world stock markets, currencies and general business activities.

The full impact of the COVID-19 outbreak continues to evolve at the date of this report.

The Board and Management will continue to actively pursue opportunities as they arise however the consolidated entity is not able to estimate the full effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for the 2021 financial year. If the pandemic continues, it may have a material adverse effect on the Company's results of future operations, financial position, and liquidity in fiscal year 2021.

In context of this operating environment, the ability of the consolidated entity to continue as a going concern is dependent on securing additional funding through debt or equity to continue to fund its operational and marketing activities.

These conditions indicate a material uncertainty that may cast a significant doubt about the consolidated entity's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

The Directors believe that there will be sufficient funds available to continue to meet the consolidated entity's working capital requirements as at the date of this report and that sufficient funds will be available to finance the operations of the consolidated entity for the following reasons:

- the working capital deficiency includes borrowings of US\$500,000 which are not currently due and/ or are expected to be settled via the issue of equity. It is expected that the Group will have sufficient liquidity to meet all obligations as they become due;
- the Company has recently been successful in raising equity and is planning to raise further funds;
- the Company is planning dual listing on TSXV to approach more investors;
- the level of expenditure can be managed; and
- the consolidated entity is continuing its efforts to secure further growth in sales revenue as proven in the past and confident of generating additional sales revenue within the next 12 months.

Should the consolidated entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements or raise additional capital through equity or debts raisings and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the consolidated entity not continue as a going concern and meet its debts as and when they become due and payable. The directors plan to continue the consolidated entity's operations on the basis as outlined above and believe there will be sufficient funds for the consolidated entity to meet its obligations and liabilities for at least twelve months from the date of this report.

Critical accounting judgements, estimates and assumptions

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavorably as at the reporting date or subsequently as a result of the Coronavirus

AppsVillage Australia Limited
Notes to the financial statements
30 June 2021

(COVID 19) pandemic. At 30 June 2021 the Group has reassessed all significant judgements and estimates included in the financial result and position, including but not limited to, provisions against debtors, impairment of non-current assets, and other provisions and estimates

Convertible notes

During the period, the Company issued short-term convertible notes, which are accounted for at fair value through profit or loss. The notes automatically convert to shares in the Company upon a M&A or listing event or upon maturity. The entire note fails the equity classification and is recognised as a financial liability at fair value through profit or loss due to the underlying terms and conditions.

Note 4. Revenue

The Group operates in one operating segment. In the following table sales are attributed to geographic distribution based on the location of the customer:

	30 Jun 2021 US\$	30 Jun 2020 US\$
Israel	5,519	9,051
United States	89,878	287,300
Other countries	118,920	255,990
Total revenue to external customers	214,317	552,341

Total revenue in both financial periods are generated from the provision of services to customers. The revenue is recognized over time in both periods.

Note 5. Expenses

	30 Jun 2021 US\$	30 Jun 2020 US\$
Loss before income tax from continuing operations includes the following specific expenses:		
Payroll and related expenses	654,499	502,101
Professional services	236,427	187,987
Gain on settlement of financial liability	(37,215)	-
Depreciation of plant and equipment	3,592	2,310
Finance expenses:		
- Interest income	6,789	4,195
- Interest expenses	(4,381)	(2,505)
Total finance (expenses)/ income	2,408	1,690
Share based payments expense	106,733	226,253

During the period the consolidated entity undertook share-based payment transactions which are detailed in Note 6.

AppsVillage Australia Limited
Notes to the financial statements
30 June 2021

NOTE 6: SHARE BASED PAYMENTS

During the half year ended 30 June 2021, the Company recorded the following share-based payments:

- (i) The issue of 9,400,000 options to the executives Max Bluvband (4,700,000) and Shahar Hadju (4,700,000) with an exercise price of AUD\$0.16 and a life of 5 years, which was approved at the company's annual general meeting on 26 May 2021.

Fair Value

Fair value is independently determined using a Black-Scholes option pricing model that takes into account the effective exercise price, the terms of the option, the share price at grant date and expected price volatility of the underlying share value. The Black Scholes inputs and valuations were as follows:

Options	Executive Options
Number of options	9,400,000
Grant date	29 March 2021
Issue date	26 May 2021
Exercise price AUD \$	\$0.16
Expected volatility	120%
Implied option life	5 years from vesting
Expected dividend yield	Nil
Risk free rate	0.67% - 1.57%
Valuation per option AUD \$	Varies
Exchange rate	0.761
Valuation per option USD \$	Varies
Total valuation USD \$	\$450,419

The vesting of these options is conditional on continued service of the holder, the Executive Options will vest monthly on a pro rata basis over a 4 year period starting from date of issue.

- (ii) The issue of 1,450,000 options with an exercise price of AUD\$0.16 and a life of 12 months from vesting to directors Bahram Nour-Omid (700,000), Yoav Ziv (250,000) and Andrew Whitten (500,000), which was approved at the company's annual general meeting on 26 May 2021.

Fair Value

Fair value is independently determined using a Black-Scholes option pricing model that takes into account the effective exercise price, the terms of the option, the share price at grant date and expected price volatility of the underlying share value. The Black Scholes inputs and valuations were as follows:

Options	Director Options
Number of options	1,450,000
Grant date	29 March 2021
Issue date	26 May 2021
Exercise price AUD \$	\$0.16
Expected volatility	120%
Implied option life	1 year from vesting
Expected dividend yield	Nil
Risk free rate	0.10%
Valuation per option AUD \$	0.044
Exchange rate	0.761
Valuation per option USD \$	0.033
Total valuation USD \$	\$48,745

The vesting of these options are at the earlier of 2 years from the date of issue or a change of control event which results in a change of 50% or more of the voting shares of the Company.

AppsVillage Australia Limited
Notes to the financial statements
30 June 2021

- (iii) The issue of 500,000 options to Noah Herscoviz with an exercise price of AUD\$0.16 and a life of 12 months from vesting to directors, which were approved by the company's Board on 22 June 2021. These options remain subject to shareholder approval.

Fair Value

Fair value is independently determined using a Black-Scholes option pricing model that takes into account the effective exercise price, the terms of the option, the share price at grant date and expected price volatility of the underlying share value. The value of the service performed could not be reliably determined and accordingly the fair value of the equity instruments granted has been determined. The Black Scholes inputs and valuations were as follows:

Options	Director Options
Number of options	500,000
Grant date	22 June 2021
Issue date	To be determined
Exercise price AUD \$	\$0.16
Expected volatility	120%
Implied option life	1 year from vesting
Expected dividend yield	Nil
Risk free rate	0.095%
Valuation per option AUD \$	0.039
Exchange rate	0.751
Valuation per option USD \$	0.029
Total valuation USD \$	\$14,641

The vesting of these options are at the earlier of 2 years from the date of issue or a change of control event which results in a change of 50% or more of the voting shares of the Company.

AppsVillage Australia Limited
Notes to the financial statements
30 June 2021

Note 7: Borrowings

The Company has entered a transaction with certain investor raising an amount of \$0.5 million as a convertible loan.

The terms for the conversion of the convertible loan - Price per share reflecting the lower of (i) a fully-diluted valuation of the Company of US\$12,000,000 prior to conversion of the loans, (ii) 85% of the price per share paid in the dual listing as shall be actually paid by the public or as per the M&A event, but in any case not more than the price per share reflecting a fully-diluted valuation of US\$16,000,000, and (iii) the issue price of any equity raise within 12 months of the agreement.

The convertible loan is for 6 months period, which can be extended by another 6 months at the discretion of the Lender. The Lender may increase the loan to US\$1,500,000 for the same terms.

Note 8: Contract Liability

	30 June 2021 US\$	31 Dec 2020 US\$
Opening balance	153,659	347,730
Payments received in advance	180,948	798,761
Transfer to Revenue	(214,317)	(992,832)
Closing balance	120,290	153,659

Note 9: Issued Capital

	30 June 2021 Shares No.	30 June 2020 Shares No.	30 June 2021 US\$	30 June 2020 US\$
a) Share Capital				
Fully paid ordinary shares	107,538,776	76,658,758	10,228,087	7,967,290
b) Movement in Ordinary Capital	Date	No.	Unit Price US\$	Total US\$
Opening balance as at 1 January 2021		99,182,445	n/a	9,588,036
Issue of shares in relation to Directors investment	21 January 2021	1,785,714	0.09	155,350
Issue of shares in relation to capital raising from institutional investors	05 March 2021	5,454,545	0.08	457,881
Issue of shares to Non-Executive Directors in lieu of Directors' fee ⁽¹⁾	26 May 2021	1,116,072	0.05	57,513
Costs of capital raising	-	-	-	(30,693)
Closing balance at 30 June 2021		107,538,776		10,228,087

(1) The issue of shares to non-executive directors in lieu of Director's fee have been measured at their fair value on the date of issue.

c) Movement in Ordinary Capital	Date	No.	Unit Price US\$	Total US\$
Opening balance as at 1 January 2020		76,658,758	n/a	7,967,290
Closing balance at 30 June 2020		76,658,758		7,967,290

Note 10: Operating Segments

Segment Information

Identification of reportable segments

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources. The Group's sole operating segment is consistent with the presentation of these consolidated financial statements.

Note 9: Contingent Liability

As of 30 June 2021, the Company was not party to any material litigation, claims or suit whose outcome could have a material effect on the financial statements (31 December 2020: Nil).

Note 10: Commitments

As of 30 June 2021, the Company had no commitments (31 December 2020: Nil).

Note 11: Events after the reporting period

Listing on TSXV

The Company is considering a dual listing on the TSX Venture Exchange ("TSXV") in Canada. The dual ASX / TSXV listing aims to increase Company's exposure to institutional and private investors and drive trading volumes and research coverage.

COVID – 19 Pandemic

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not significantly impacted the consolidated entity up to 30 June 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial periods.

Note 12: Fair value measurement

Fair value hierarchy

The following tables detail the consolidated entity'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 - 30 Jun 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Liabilities</i>				
Convertible note	-	-	500,000	500,000
Total liabilities	-	-	500,000	500,000

Convertible notes

During the period, the Company issued short-term convertible notes, which are accounted for at fair value through profit or loss. The notes automatically convert to shares in the Company upon an M&A or listing event or upon maturity. The entire note fails equity classification and is recognised as a financial liability at fair value through profit or loss due to the underlying terms and conditions.

Note 13: Related part transactions

As announced by the Company on 17 August 2020, two non-Executive Directors of the Company agreed to make cash investments in the Company. On 29 January 2021, shareholders approved that the shares would be issued at AU\$0.112. The investment resulted in the issue of 1,785,714 shares were issued in connection with this placement raising US\$155,350.

As announced by the Company on 26 May 2021, two non-Executive Directors of the Company agreed to receive shares in lieu of Director's fees. The settlement of this liability resulted in the issued of 1,116,072 shares for a total of US\$57,513 resulting in a gain on settlement of financial liability of US\$37,215.

On 22 June 2021, Noah Hershcoviz was appointed as Non-Executive Director. The terms of his agreement were as follows:

- AU\$5,000 per annum
- Subject to shareholder approval, 500,000 unlisted options under the Company's employee incentive scheme (refer Note 6)

AppsVillage Australia Limited
Directors' declaration
30 June 2021

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Max Bluvband
Chief Executive Officer

31 August, 2021

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of AppsVillage Australia Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of AppsVillage Australia Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review 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 (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Material uncertainty relating to going concern

We draw attention to Note 3 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.



Responsibility of the directors for the financial report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Dean Just', is written over a faint, larger 'BDO' watermark.

Dean Just

Director

Perth, 31 August 2021