

HIT·iQ

APPENDIX 4D

Interim Financial Report
For the half year ended
31 December 2021



RESULTS FOR ANNOUNCEMENT TO THE MARKET**Reporting Period**

Report for the half-year ended 31 December 2021

Previous corresponding half-year ended 31 December 2020

| Results for announcement to the market | Movement | Percentage % | | Amount \$ |
|-----------------------------------------------------|----------|--------------|----|-------------|
| Increase in revenues from contracts with customers | ↑ | 47.12% | to | \$214,021 |
| Increase in loss from ordinary activities after tax | ↑ | 183.20 | to | (3,545,803) |
| Increase in loss after tax attributable to members | ↑ | 183.20 | to | (3,545,803) |

a. Dividends

| | Amount per Security ¢ | Franked amount per security % |
|----------------------------------------------------------|-----------------------|-------------------------------|
| Interim dividend | nil | n/a |
| Final dividend | nil | n/a |
| Record date for determining entitlements to the dividend | n/a | |

b. Brief explanation of any of the figures reported above necessary to enable the figures to be understood (item 2.6):

Please refer to the commentary in the review of operations contained within the attached Half Yearly Financial Statements

Details of entities over which control has been gained or lost during the period:

| | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| a. Control gained over entities | |
| Name of entities | CSX Limited |
| Date(s) of gain of control | 24 November 2021 |
| b. Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was gained. | (\$62,337) |
| c. Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period | n/a |

DIVIDENDS

No dividends have been declared or are payable for the half-year ended 31 December 2021.

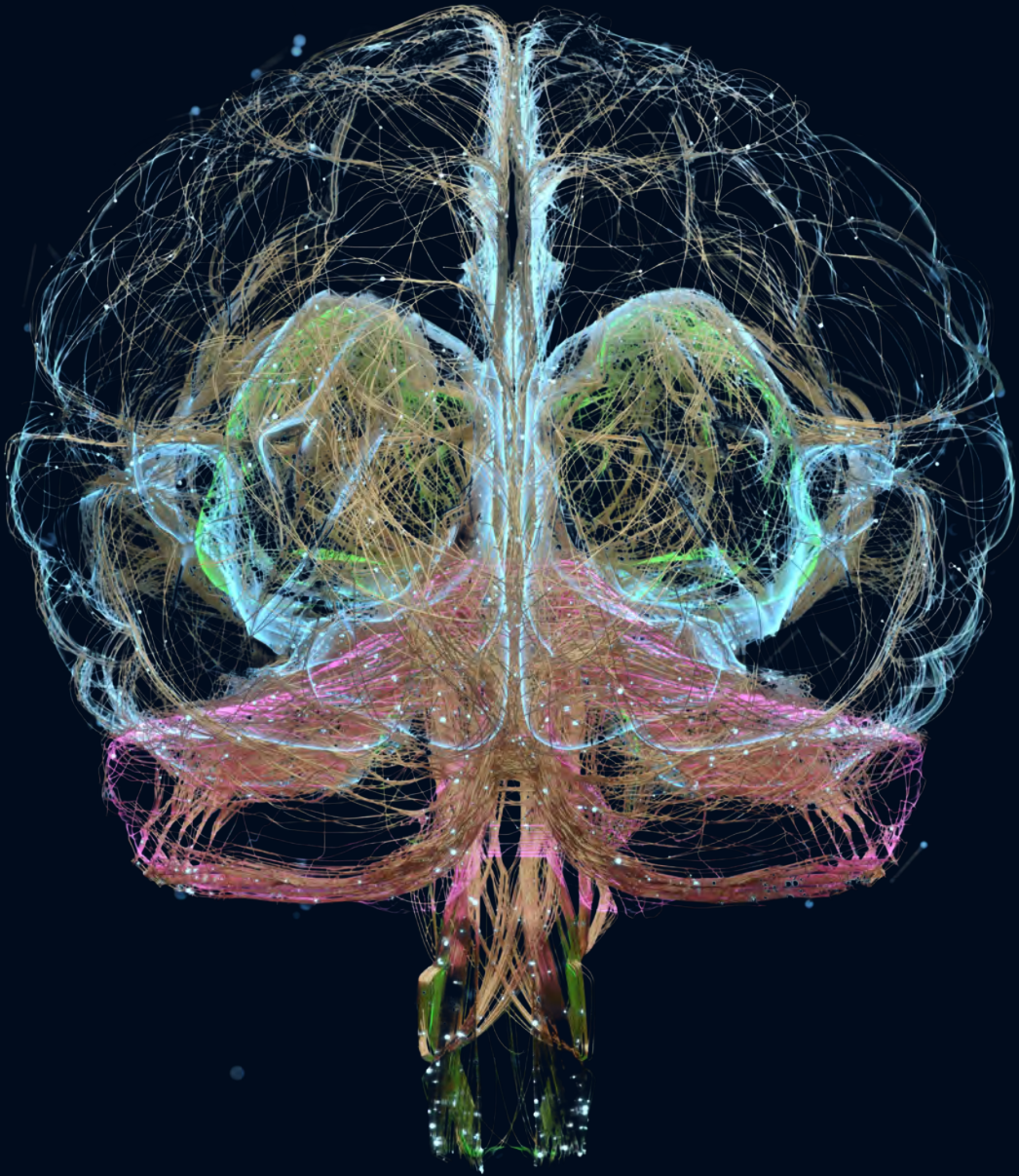
RESULTS FOR ANNOUNCEMENT TO THE MARKET FOR THE YEAR ENDED 30 JUNE 2021

| | Current period ¢ | Previous corresponding period ¢ |
|-----------------------------------------------|------------------|---------------------------------|
| Net tangible assets per share | | |
| Net tangible assets backing per share (cents) | 4.16 | 10.22 |

The financial information provided in the Appendix 4D is based on the half-year condensed financial report (attached) which has been subject to independent review by the Auditors, Hall Chadwick. The auditors review report is subject to an emphasis of matter in respect to the going concern basis of accounting, which is detailed in the Independent auditors review report on page 23.

INTERIM FINANCIAL STATEMENTS

HIT·IQ



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GENERAL INFORMATION

The financial statements cover HITIQ Limited and its controlled entities. 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 St
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.

DIRECTORS' REPORT

The Directors of HITIQ Ltd present their Report together with the financial statements of the consolidated entity, being the Company and its controlled entities (the 'Group') for the 6-month period ended 31 December, 2021 ('H1 FY22').

DIRECTOR DETAILS

The following persons were Directors of HITIQ Ltd during H1 FY22 and up to the date of this report:

- > Otto Buttula – Non-Executive Chairman
- > Michael Vegar – Managing Director
- > Philip Carulli – Non-Executive Director
- > Glenn Smith – Non-Executive Director
- > Aidan Clarke – Non-Executive Director

PRINCIPAL ACTIVITIES

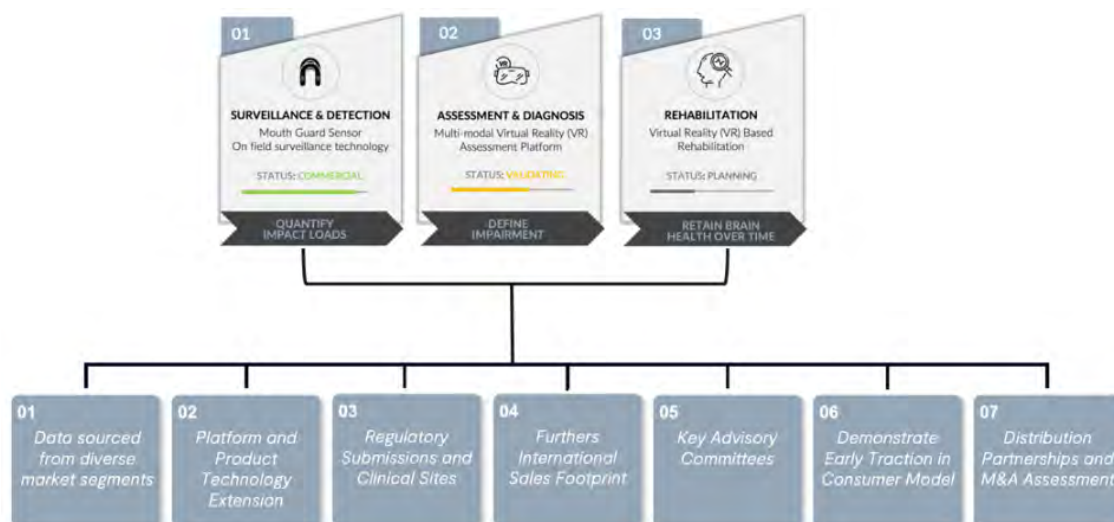
Transformative, concussion management technology company, HITIQ Limited (ASX: **HIQ**) is focused on becoming a global leader in concussion management by building the world's first end-to-end concussion management platform with an eco-system of products powered by machine learning that span surveillance and detection, to assessment and ultimately rehabilitation.

During the half-year ending 31 December 2021, and up to the date of this report, HITIQ has delivered on a number of milestones as part of its FY'22 strategic plan, particularly advancing commercial outcomes with Customers and fast tracking the Technology platform.

STRATEGY AND GROWTH PLAN

HITIQ's ambition is to deliver a best-in-class concussion management technology eco-system. The Company's growth is intended to be logically driven by a three-pillar strategy and is underpinned by a multi-product approach under a subscription (SaaS) revenue model. The strategy is designed to leverage the data from sensor technology embedded in the mouthguard into a broader healthcare platform solution around concussion management and rehabilitation.

The Company's initial focus is on elite athlete markets, moving to Grass Roots Sports (Junior/Youth), Clinical Practitioners, Military, Research, and Combat Sports.



CUSTOMER MARKETS

Commercial Programs

AFL

- > The first year of the contracted multi-year league wide deal with the Australian Football League (AFL) has successfully been completed;
- > HITIQ continues to work with the AFL to leverage HITIQ technology value to support performance and player welfare programs across teams in the league; and
- > The Company has completed a Phase 2 deployment to the AFL Women's league (AFLW) for use in the 2022 season, with 264 AFLW players having received the technology.

Bupa Australia

- > The Company announced in December 2021 that it entered into an exclusive partnership with Bupa Dental Care, Australia's largest dental network, to offer its industry leading concussion management technology for the first time to the consumer market;
- > Under the commercial deal, customers from Bupa Health Insurance's 4 million+ membership-base along with the general public through Bupa Dental Care practices will be offered the opportunity to purchase HITIQ technology in early CY2022;
- > The partnership followed a successful trial by BUPA using HITIQ concussion management technology in an Australian first Junior Rugby Pilot Project (ASX Announcement 21 July 2021). Confirming the transition to a commercial partnership, Bupa's Managing Director of Health Services, Dr Dwayne Crombie, said:

"The results from our initial trial were extremely promising and we look forward to working with HITIQ to offer this solution across our Australian dental practices. We're proud to be the first dental network to offer the HITIQ solution to Australians to help make community sport a safer experience."

- > Key terms under the deal, include:
 - HITIQ smart mouthguard technology being offered exclusively for 12 months through Bupa Dental Care's network and customer base;
 - Health insurance policy holders will qualify for reimbursement under eligible extras cover for the technology; and
 - Bupa Dental Care will commence a marketing campaign in early CY2022, where customers can access the technology at many practices across its Australian network. A marketing campaign will also target the general public.
- > HITIQ technology, previously only commercially available for the elite sports market, is now available to consumers in partnership with Bupa Dental Care, in time for the CY2022 regular community AFL, Rugby League and Rugby Union seasons.
- > BUPA members can now access HITIQ technology at:
 - www.bupadental.com.au/smartmouthguard
 - or more information can be found on the HITIQ's website www.hitiq.com/insights/hitiq-bupa-smart-mouthguards

Announced Pipeline

Proactive and appropriate concussion management continues to be a high priority within contact sports. HITIQ continues to progress a number of announced programs with key customers globally to advance to a commercial partnership, including with:

| Scottish Rugby | US College Football | Rugby Australia |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> > Over 120 elite players are using the technology in both training and match settings, during the 2021/22 season; > Participating teams span – Scotland Men's / Women's National squads, Scotland 7's, and Edinburgh Rugby. | <ul style="list-style-type: none"> > Over 100 elite players are currently using the technology as part of a partnership with six Football Bowl Subdivision (FBS) division one US college football programs, which include - Tulane University, University of Tulsa, Georgia Tech University, University of Tennessee Knoxville, University of South Carolina, and Brigham Young University. | <ul style="list-style-type: none"> > Players in the QLD Premier Rugby 1st grade competition are using the technology during the 2021 season, with participating teams including Wests, Brothers, UQ, Easts and Sunnybank; > The trial is led by concussion expert, Dr Andrew Gardner, and is endorsed and supported by Rugby Australia Chief Medical Officer, Mr. Warren McDonald. |

The Company is also targeting a number of global customers with discussions in train with priority customer markets including Rugby League, Rugby Union, Ice Hockey, Mixed Martial Arts and American Football (particularly the NCAA). The Company estimates the global concussion market opportunity represents ~500k elite athletes, ~10million in the consumer market with an overall addressable market value of US\$5billion.

TECHNOLOGY

- > Ongoing development of the core Artificial Intelligence (AI) & Machine Learning (ML) systems that underpin HITIQ's technology continued throughout the year and continue to grow as further data points are collected;
- > Acquisition of CSX Limited completed as part of HITIQ's technology platform extension strategy, which was designed to deliver:
 - o An accelerated pathway for the development of HITIQ's technology platform;
 - o Access to a new and diverse global customer base; and
 - o Enhanced functionality to strengthen and differentiate HITIQ's value proposition
- > The CSX concussion assessment business adds annual revenue of A\$430k and represents:
 - o 100,000 concussion assessments performed on the CSX platform;
 - o 45,000 users globally;
 - o 60 competitions & leagues globally; and
 - o +800 customers (+600 in elite market, and +200 in consumer / school markets).
- > More than 600 new Mouthguards were deployed in H2 CY2021 resulting in 1,268 units currently being in use by customers globally;
- > Over 8 million data points were captured from new and existing customer programs strengthening the Company's global head-impact databank;
- > The Company has largely completed pre-clinical trial work related to its Virtual Reality assessment and diagnostic platform;

- > The Company had a peer reviewed paper published by the University of Canterbury (Christchurch) in the Sensors Journal – the leading international, peer-reviewed, open access journal on the science and technology of sensors. The paper demonstrates that HITIQ has class leading peak impact accuracy of 97.31% which is an important differentiator that distinguishes HITIQ technology;
- > A research paper detailing the accuracy of HITIQ's machine learning based classifier was published in the Frontiers in Sports and Active Living journal. The research demonstrates a true positive detection rate of 94.67% and true negative detection rate of 95.65% in Australian Rules Football; and
- > The HITIQ Nexus Mouthguard was tested at the Virginia Tech Helmet Lab as part of the Sensor STAR process. The mouthguard reported accuracy numbers of between 97.4% and 98.1% across the numerous helmeted and non-helmeted tests.

FINANCIAL

- > The Company had cash reserves of A\$4.464m as at 31 December 2021;
- > Received R&D tax rebate of A\$1.025m and repaid approximately A\$580k in early R&D government financing;
- > A number of activities impacted expenditure versus budget, including:
 - o The Company used A\$850k of cash reserves to acquire CSX, plus associated acquisition costs;
 - o Preparing for entry into the consumer market via the BUPA agreement entailed higher componentry ordering requirements due to the potential scale of the partnership;
 - o The Company also brought forward its 12-month purchasing schedule to secure componentry requirements for actual and planned commitments with other customers; and
 - o The combined decision to bring forward componentry purchases against the backdrop of an increasing constrained global semiconductor market and supply chain issues was taken sensibly to ensure the Company is able to deliver on its buoyant deployment assumptions. The Company expects this to deliver a positive result with expected revenue inflows from commercial partnerships to offset expenditure in the second half of the year.
- > HITIQ is appropriately capitalised to continue executing on its FY'22 strategic plan.

CORPORATE

- > A General Meeting of shareholders was held on 10 November 2021 with all resolutions passing;
- > Management and international sales infrastructure was strengthened to focus on commercialisation activities, which included four appointments across Elite Sales and Strategy in the UK & Europe, in Marketing domestically and in Engineering.

SUBSEQUENT TO PERIOD END – TECHNOLOGY

- > HITIQ was awarded:
 - o An Australian Innovation patent providing protection for the proprietary calibration methods that underpin the high accuracy output that HITIQ technology delivers; and
 - o An Australian Innovation Patent for “A Protective Mouthguard Device Configured To Enable Measurement Of Circulatory System Parameters”. Key features of this patent cover the use of light emitting and light sensor components in a protective mouthguard that enable measurement of the wearer's physiological condition. These include:

- One or more light emitting components emit light at a controlled wavelength into the wearer's bodily tissue;
- One or more light sensor components sense the light, as affected by interaction with the bodily tissue; and
- Data is processed to generate metrics representative of physiological condition (for example heart rate).

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 on page 7.

Signed in accordance with a resolution of the directors:



Otto Buttula
Non-Executive Chairman



Michael Vegar
Managing Director

Melbourne, 28 February 2022

To the Board of Directors

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

As lead audit partner for the review of the financial statements of HITIQ Limited for the half-year ended 31 December 2021, 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 review; and
- any applicable code of professional conduct in relation to the review.

Yours Faithfully,


HALL CHADWICK
Chartered Accountants


CHRIS NICOLOFF CA
Partner

Dated at Perth this 28th day of February 2022

Condensed Statement of Profit or Loss and Other Comprehensive Income For the year ended 31 December 2021

| | Note | Dec 2021 (\$) | Dec 2020 (\$) |
|------------------------------------------------------------------------------------------------------|-------|------------------|------------------|
| Revenue | | | |
| Revenue | 3 | 214,021 | 145,470 |
| Other Income | 3 | 5,585 | 403,300 |
| Research and development grant | 3 | 1,025,077 | - |
| Expenses | | | |
| Accountancy and Secretarial Fees | | (69,718) | (11,220) |
| Auditors Remuneration | | (11,695) | (2,000) |
| Consultancy Fees | | (321,212) | (152,766) |
| Depreciation and Amortisation | | (106,523) | (104,333) |
| Interest Paid | | (35,383) | (31,327) |
| Occupancy | | (63,811) | (63,691) |
| Research and Testing | | (1,102,020) | (137,049) |
| Share Based Payment Expense | 11a/c | (406,097) | (24,500) |
| Employee benefits expenses | | (2,073,819) | (1,119,592) |
| Other expenses | | (600,208) | (154,342) |
| Loss before income tax expense | | (3,545,803) | (1,252,050) |
| Income tax expense | | - | - |
| Loss after income tax expense for the period attributable to the owners of HITIQ Limited | | (3,545,803) | (1,252,050) |
| Other comprehensive income for the period, net of tax | | - | - |
| Total comprehensive income for the period attributable to the owners of HITIQ Limited | | (3,545,803) | (1,252,050) |
| Earnings per share for profit/loss attributable to the ordinary equity holders of the company | | | |
| Basic earnings per share | | (0.05) | (0.02) |
| Diluted earnings per share | | (0.05) | (0.02) |

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

Condensed Statement of Financial Position

For the year ended 31 December 2021

| | Note | Dec 2021 (\$) | June 2021 (\$) |
|--------------------------------|------|------------------|-------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 6 | 4,463,370 | 8,955,130 |
| Trade and other receivables | 7 | 259,240 | 212,392 |
| Total current assets | | 4,722,611 | 9,167,522 |
| Non-current assets | | | |
| Trade and other receivables | 7 | 52,241 | 52,241 |
| Property, plant and equipment | | 129,025 | 117,539 |
| Intangible Assets | | 22,397 | 33,493 |
| Goodwill on acquisition | 4 | 727,391 | - |
| Deferred tax asset | | 610,523 | - |
| Assets Right-of Use | 5a | 53,338 | 117,418 |
| Total non-current assets | | 1,594,915 | 320,691 |
| Total assets | | 6,317,526 | 9,488,213 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 8 | 651,108 | 628,870 |
| Provisions | 9 | 305,826 | 226,375 |
| Borrowings | 10 | 48,517 | 584,343 |
| Lease Liabilities | 5b | 52,856 | 124,994 |
| Total current liabilities | | 1,058,307 | 1,564,582 |
| Non-current Liabilities | | | |
| Trade and Other Payables | 8 | 496,718 | - |
| Total non-current Liabilities | | 496,718 | - |
| Total Liabilities | | 1,555,025 | 1,564,582 |
| Net assets | | 4,762,501 | 7,923,631 |
| Equity | | | |
| Issued capital | 11a | 18,281,901 | 18,300,641 |
| Reserves | 11b | 2,087,708 | 1,684,294 |
| Accumulated losses | | (15,607,107) | (12,061,304) |
| Total equity | | 4,762,501 | 7,923,631 |

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

Statement of Changes of Cash Flows

For the year ended 31 December 2021

| | Issued Capital (\$) | Accumulated Losses (\$) | Reserves (\$) | Total Equity (\$) |
|------------------------------------------------------------------------|---------------------------|-------------------------------|------------------|----------------------|
| Balance at 1 July 2020 | 6,889,190 | (7,104,722) | 602,389 | 386,857 |
| Loss after income tax expense for the period | - | (5,062,846) | - | (5,062,846) |
| Total comprehensive income attributable to the owners of HITIQ Limited | - | (5,062,846) | - | (5,062,846) |
| Transactions with owners in their capacity as owners: | 12,419,334 | - | - | 12,419,334 |
| <i>(Contributions of equity, net of transaction costs)</i> | | | | |
| Share issue costs | (1,311,400) | - | - | (1,311,400) |
| Share based payment expense | - | - | 1,229,686 | 1,229,686 |
| Share based payment exercised | 88,517 | - | (88,517) | - |
| Share based payment lapsed | - | 73,764 | (73,764) | - |
| Performance rights expense | - | - | 262,000 | 262,000 |
| Performance rights exercised | 215,000 | - | (215,000) | - |
| Performance rights lapsed | - | 32,500 | (32,500) | - |
| Dividends Paid | - | - | - | - |
| Balance at 30 June 2021 | 18,300,641 | (12,061,304) | 1,684,294 | 7,923,631 |

| | Issued Capital (\$) | Retained Losses (\$) | Reserves (\$) | Total Equity (\$) |
|------------------------------------------------------------------------|---------------------------|----------------------------|------------------|----------------------|
| Balance at 1 July 2021 | 18,300,641 | (12,061,304) | 1,684,294 | 7,923,631 |
| Loss after income tax expense for the period | - | (3,545,803) | - | (3,545,803) |
| Total comprehensive income attributable to the owners of HITIQ Limited | - | (3,545,803) | - | (3,545,803) |
| Transactions with owners in their capacity as owners: | | | | |
| <i>Contributions of equity, net of transaction costs</i> | | | | |
| Share issue costs | (18,740) | - | - | (18,740) |
| Option Issued | - | - | 436,697 | 436,697 |
| Expired Options | - | - | (30,600) | (30,600) |
| Foreign Currency Translation Reserve | - | - | (2,683) | (2,683) |
| Balance at 31 December 2021 | 18,281,901 | (15,607,107) | 2,087,708 | 4,762,501 |

Condensed Statement of Cash Flows

For the year ended 31 December 2021

| | Note | Dec 2021 \$ | Dec 2020 (\$) |
|---------------------------------------------------------------------|------|------------------|------------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 167,173 | 200,470 |
| Payments to suppliers and employees | | (4,140,796) | (1,616,229) |
| Receipts – other | | 1,028,932 | 1,396,077 |
| Interest Paid | | (33,653) | (31,327) |
| Net cash used in operating activities | | (2,978,344) | (51,009) |
| Cash flows from investing activities | | | |
| Acquisition of subsidiary | | (841,196) | - |
| Payments for property, plant and equipment | | (42,833) | (6,704) |
| Net cash used in investing activities | | (884,029) | (6,704) |
| Cash flows from financing activities | | | |
| Proceeds from share issue | | - | 1,775,000 |
| Payments for share issue costs | | (18,740) | (108,000) |
| Repayment of borrowings | | - | 40,000 |
| Repayment of borrowings | | (535,826) | (848,068) |
| Repayments of lease liability principal | | (72,138) | (84,362) |
| Net cash from financing activities | | (626,704) | 776,570 |
| Net increase in cash and cash equivalents | | (4,489,077) | 718,857 |
| Effect of Exchange rate changes on cash | | (2,683) | - |
| Cash and cash equivalents at the beginning of the financial year | | 8,955,130 | 428,028 |
| Cash and cash equivalents at the end of the financial period | 6 | 4,463,370 | 1,146,885 |

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

Notes to the Condensed Financial Statements

Note 1: Summary of significant accounting policies

a. Basis of Preparation

These general purpose interim financial statements for half-year reporting period ended 31 December 2021 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of HITIQ Limited and its controlled entities (referred to as the "Consolidated Group" or "Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2021.

These interim financial statements were authorised for issue on 28 February 2022.

b. Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

The Group has considered the implications of new and amended Accounting Standards, but determined that their application to the financial statements is either not relevant or not material.

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 31 December 2021, the Company incurred a net loss of \$3,545,803 (June 2021: Loss \$5,062,846) and experienced net cash outflows from operating activities of \$2,978,344 (Dec 2020 \$51,009).

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.

The directors have prepared a cash flow forecast, which indicates that the company will be required to raise additional capital in order to 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.

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.

Note 3. Revenue

| | Dec 2021 \$ | Dec 2020 \$ |
|---------------------------------------|------------------|----------------|
| Revenue from contracts with customers | 214,021 | 145,470 |
| Interest Income | 3,855 | - |
| Job keeper and Cash flow boost | - | 403,300 |
| Research and development grant | 1,025,076 | - |
| Profit on Sale of Non-Current Assets | 1,730 | - |
| | 1,244,682 | 548,770 |

There are no reconciling items between revenue from contracts with customers and segment report.

Note 4. Business combinations (provisionally determined)

Acquisition of CSX Limited

On 24 November 2021, the Group acquired 100% of the voting shares of CSX Limited (CSX), an unlisted company based in New Zealand that provides class leading concussion assessment application technology. The Group has acquired CSX because it accelerates the development of the group's technology platform and expands both its existing product portfolio and customer base. The acquisition has been accounted for using the acquisition method. The interim condensed consolidated financial statements include the results of CSX for the one month period from the acquisition date. The fair values of the identifiable assets and liabilities of CSX as at the date of acquisition were:

Fair value recognised on acquisition

| | \$ |
|----------------------------------------------------|----------------|
| Assets | |
| Property, plant and equipment | 8,270 |
| Cash | 54 |
| Trade receivables | 3,140 |
| GST/PAYE | 3,831 |
| Trademarks | 1,507 |
| Future Income Tax Benefit | 610,523 |
| | 627,326 |
| Liabilities | |
| Trade payables | - |
| Contingent Liability – R&D Payable | (246,718) |
| | - |
| Total identifiable net assets at fair value | 380,608 |
| Goodwill arising on acquisition (provisional) | 727,391 |
| Purchase consideration transferred | 857,999 |
| Earn-out Payable | 250,000 |

Analysis of cash flows on acquisition:

| | |
|------------------------------------------------------------------------------------------|-----------|
| Net cash acquired with the subsidiary (included in cash flows from investing activities) | 54 |
| Cash paid | (857,999) |
| Net cash flow on acquisition | (857,945) |

Reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period is presented below:

| | Goodwill |
|------------------------------|-----------------|
| | \$ |
| Gross carrying amount | |
| At 1 July 2021 | - |
| Acquisition of a subsidiary | 727,391 |
| At 31 December 2021 | 727,391 |

The provisionally determined goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of CSX with those of the Group. The goodwill is not deductible for income tax purposes.

An Earn Out Payment of AUD\$250,000 is applicable and is payable upon the major sporting code Agreement being extended for a term that runs to at least 30 February 2023 and in circumstances where the fees payable to the Company under that agreement for services provided during the period from 1 March 2022 to 1 March 2023 is (or will be) at least AU\$93,000.00.

As a result of the change in shareholding in CSX Limited of more than 90% CSX will be required to pay R&D repayment tax by the terminal tax date for the year in which the transaction occurs (being the 2022 income year). The relevant terminal tax date for the income year ending 31 March 2022 would be 7 April 2023. The amount of R&D repayment tax that arises is the total amount of research and development tax credits claimed (NZD\$261,936.30). CSX will be entitled to a deduction equal to the R&D repayment tax / 28% in the income year in which the R&D repayment tax is paid. This is calculated as NZD\$261,936.30 / 28% = NZD\$935,486.79 (being equivalent to the amount of tax losses previously cashed out) as is included in the Future Income Tax Benefit.

Transaction costs of \$87,435 have been expensed and are included in Administrative expenses in the statement of profit or loss and are part of operating cash flows in the statement of cash flows.

The business combination has been provisionally accounted for as at 31 December 2021 and the accounting will be finalised in the next 12 months.

Note 5. Leases

"The Company held leases for office space during the year. The average remaining lease term at 31 December 2021 is 4 Months.

| | Dec 2021 | June 2021 |
|-------------------------------------|-----------------|------------------|
| | \$ | \$ |
| Note 5a. Right of Use Assets | | |
| Opening Right of Use Assets | 425,271 | 425,271 |
| Additions during the year | - | - |
| Depreciation | (371,933) | (307,853) |
| Closing Balance | 53,338 | 117,418 |

Note 5b. Lease Liability

| | Dec 2021 | June 2021 |
|---------------------------|---------------|----------------|
| | \$ | \$ |
| Opening Lease Liability | 124,994 | 291,305 |
| Additions during the year | - | - |
| Interest Expense | 4,806 | 7,581 |
| Repayments | (76,944) | (173,892) |
| Closing Balance | 52,856 | 124,994 |

Note 6. Current assets - cash and cash equivalents

| | Dec 2021 | June 2021 |
|--------------|------------------|------------------|
| | \$ | \$ |
| Cash at Bank | 4,463,370 | 8,955,130 |
| | 4,463,370 | 8,955,130 |

Note 7. Current assets - trade and other receivables

| | Dec 2021 | June 2021 |
|-------------------|----------------|----------------|
| | \$ | \$ |
| Trade Receivables | 114,847 | - |
| GST Receivable | 77,719 | 110,210 |
| Sundry Debtors | 24,017 | 27,124 |
| Prepayments | 42,657 | 75,058 |
| | 259,240 | 212,392 |

Note 7. Non-Current assets - trade and other receivables

| | Dec 2021 | June 2021 |
|-----------------------------|----------|-----------|
| | \$ | \$ |
| Lease Bond – Bank Guarantee | 52,241 | 52,241 |

Note 8. Current liabilities – trade and other payables

| | Dec 2021 | June 2021 |
|--------------------------|----------------|----------------|
| | \$ | \$ |
| Trade Creditors | 392,357 | 231,357 |
| Other Payables | 137,216 | 278,793 |
| PAYG Withholding Payable | 75,071 | 62,694 |
| Superannuation Payable | 46,464 | 68,026 |
| Contract liability | - | (12,000) |
| | 651,108 | 628,870 |

Note 8. Non-Current liabilities – trade and other payables

| | Dec 2021 | June 2021 |
|----------------------|----------------|-----------|
| | \$ | \$ |
| R&D Tax Payable | 246,718 | - |
| Contingent liability | 250,000 | - |
| | 496,718 | - |

Note 9. Current liabilities - Provisions

| | Dec 2021 | June 2021 |
|-----------------------|----------------|----------------|
| | \$ | \$ |
| Employee Entitlements | 305,826 | 226,375 |
| | 305,826 | 226,375 |

Note 10. Borrowings

| | Dec 2021 | June 2021 |
|---------------|---------------|----------------|
| | \$ | \$ |
| Credit Cards | 48,517 | 20,649 |
| Loan – Radium | - | 563,694 |
| | <u>48,517</u> | <u>584,343</u> |

Note 11a. Equity - issued capital

| | Dec 2021 | June 2021 | Dec 2021 | June 2021 |
|------------------------------|--------------------|--------------------|-------------------|-------------------|
| | Shares | Shares | \$ | \$ |
| Ordinary Shares – fully paid | <u>132,419,018</u> | <u>132,419,018</u> | <u>18,281,901</u> | <u>18,300,641</u> |

Movements in Ordinary share capital

| Details | Date | Notes | No. of Shares | Issue Price |
|---------------------|-----------|-------|--------------------|-------------------|
| | | | | \$ |
| Opening Balance | 30-Jun-21 | | 132,419,018 | 18,300,641 |
| Capital Raising Fee | 23-Aug-21 | | | (18,740) |
| Closing Balance | | | <u>132,419,018</u> | <u>18,281,901</u> |

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 11b. Equity – reserves
Options

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 10.c

| Details | Date | Dec 2021 | June 2021 |
|--------------------|------|------------------|------------------|
| | | \$ | \$ |
| Option Reserve | | 2,020,391 | 1,614,294 |
| Performance Rights | | 70,000 | 70,000 |
| | | <u>2,090,391</u> | <u>1,684,294</u> |

Note 11c. Equity – Share Based Payments
Share Based Payments - Option Reserve

The following share-based payment arrangements were in place during the current and prior periods:

| | Number | Grant date | Expiry date | Exercise price | Fair value at grant date | Vesting date |
|-----------|-----------|------------|-------------|----------------|--------------------------|----------------------------|
| HILOPT1 | 3,000,000 | 23/01/2019 | 10/12/2023 | \$0.20 | \$288,000 | Vests at the date of grant |
| HIQEOPT2 | 2,500,000 | 15/11/2019 | 15/11/2022 | \$0.30 | \$127,500 | Vests at the date of grant |
| HIQEOPT5 | 1,333,334 | 16/03/2020 | 18/12/2023 | \$0.30 | \$nil | Vests at the date of grant |
| HIQEOPT6 | 758,330 | 25/02/2020 | 30/06/2022 | \$0.30 | \$nil | Vests at the date of grant |
| HILEOPT3 | 2,000,000 | 18/12/2020 | 18/12/2023 | \$0.30 | \$192,000 | Vests at the date of grant |
| HIQEOPT4 | 600,002 | 19/03/2021 | 01/11/2021 | \$0.20 | \$30,600 | Expired 01/11/2021 |
| HIQEOPT5 | 599,999 | 19/03/2021 | 17/12/2023 | \$0.20 | \$64,800 | Vests at the date of grant |
| HILQEOPT6 | 599,999 | 19/03/2021 | 19/03/2024 | \$0.20 | \$70,200 | Vests at the date of grant |
| HIQEOPT7 | 4,500,000 | 19/03/2021 | 25/03/2024 | \$0.30 | \$245,700 | Refer note annotation |
| HIQEOPT8 | 1,500,000 | 19/03/2021 | 19/03/2025 | \$0.30 | \$84,094 | Refer note annotation |
| HIQOPTB | 6,000,000 | 01/06/2021 | 18/12/2026 | \$0.30 | \$511,400 | Vests at the date of grant |
| HIQEOPT9 | 4,642,250 | 14/07/2021 | 31/07/2024 | \$0.30 | \$367,467 | Refer note annotation |
| HIQEOPT10 | 1,500,000 | 10/11/2021 | 10/11/2024 | \$0.30 | \$69,230 | Vests at the date of grant |

Vesting Date: HIQEOPT7

3,000,000 30c options expiring in 3 years from the date of issue subject to the achieving a 510k or De Novo Approval with the US Food and Drug Administration (FDA) for COVR product within 2 years of date of listing on the ASX.

1,500,000 30c options expiring in 4 years from the date of issue subject to the achieving a \$4m ARR within 3 years of the date of listing on the ASX. An additional 300,000 options will be granted for each \$1m ARR over \$4m ARR.

Vesting Date: HIQEOPT8

1,500,000 30c options expiring in 4 years from the date of issue subject to the achieving a \$2m ARR within 2 years of the date of listing on the ASX. An additional 300,000 options will be granted for each \$1m ARR over \$2m ARR.

Vesting Date: HIQEOPT9

4,642,250 30c employee options expiring 31 July 2024 subject to the achieving 12 months continuous service with the company and satisfaction of performance criteria based on key performance indicators applicable to each recipient.

Vesting Date: HIQEOPT10

375,000 30c options expiring in 3 years from date of issue subject to achieving 12 months service from appointment. 562,500 30c options expiring in 3 years from date of issue subject to the company achieving \$2m annual recurring revenue within 2 years.

562,500 30c options expiring in 3 years from date of issue subject to the company achieving \$3m annual recurring revenue within 3 years.

There has been no alteration of the terms and conditions of the above share-based payment arrangement since grant date.

Share-based payment expense

The fair value of share issued in relation to the share based payments recognised during the period was \$436,697.

Movement in share options during the period

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

| Option Series | Number | Grant Date | Expiry Date | Exercise Price |
|---------------|-----------|------------|-------------|----------------|
| HITEOPT9 | 4,642,250 | 14-Jul-21 | 31-Jul-24 | \$0.30 |
| HITEOPT10 | 1,500,000 | 10-Nov-21 | 10-Nov-24 | \$0.30 |

Fair value of share options granted in the period

The fair value of the equity-settled share options granted to employees and consultants is estimated as at the date of grant using the Black-Scholes model taking into account the terms and conditions upon which the options were granted.

| | HITEOPT9 | HITEOPT10 |
|--------------------------|----------|-----------|
| Dividend yield (%) | -% | -% |
| Expected volatility | 90% | 90% |
| Risk-free interest rate | 0.12% | 1.37% |
| Expected life of options | 3 years | 3 years |
| Exercise price | \$0.30 | \$0.30 |
| Grant date share price | \$0.18 | \$0.18 |

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

Share options expired during the period

The following share options valued at \$30,600 expired during the period:

| Option Series | Number | Grant Date | Expiry Date | Exercise Price |
|---------------|---------|------------|-------------|----------------|
| HITEOPT4 | 600,000 | 19-Mar-21 | 1-Nov-21 | \$0.20 |

Performance Rights

There has been no movement in the Performance Rights Reserve during the period. The following performance rights arrangements were in existence during the reporting period:

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 |
|---------------|---------------------------|------------|--------------------------------|-----------------------------------------------------------------------------------------------------------------------|------------------------------------------|-----------------------------------------|---------------------------------|
| Michael Vegar | \$0.20 | 19-Mar-21 | 3 years from date of issue | Vest upon contract signing & formalisation of national sporting code deal minimum \$200k ex GST revenue by 31/03/2022 | 70% | \$70,000 | Yet to be met |

Note 12. Dividends

| | Dec-2021 \$ | Dec 2020 \$ |
|---------------|-------------|-------------|
| Dividend Paid | - | - |

Note 13. Financial instruments

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

Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from 2021.

The capital structure of the Company consists of cash and cash equivalents, borrowings and equity comprising issued capital, reserves and accumulated losses.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax, dividends and general administrative outgoings.

Gearing levels are reviewed by the Board on a regular basis in line with its target gearing ratio, the cost of capital and the risks associated with each class of capital.

Financial risk management objectives

The Company is exposed to, (i) market risk (which includes interest rate risk and share price risk), (ii) credit risk and (iii) liquidity risk.

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.

Market risk

Interest rate risk

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.

Interest rate risk sensitivity

The sensitivity has been determined based on the exposure to interest rates for non-derivative instruments at the balance date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

A point five basis point increase or decrease is used when reporting interest rate risk internally to management and represents management's assessment of the change in interest rates.

At balance date, if interest rates had been three basis points higher or lower and all other variables were held constant, the impact on the Company is not material.

Price risk

The Company is not exposed to any significant price risk.

Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company. The Company is exposed to credit risk from financial assets including cash and cash equivalents held at banks and trade and other receivables.

The credit risk is managed on a group basis based on the Company's credit risk management policies and procedures.

The credit risk in respect of cash balances held with banks and deposits with banks are managed by only dealing with major reputable financial institutions.

The Company monitors the credit quality of customers based on a credit rating scorecard. Where available, external credit ratings and/or reports on customers are obtained and used. The Company's policy is to deal only with credit worthy counterparties. The credit terms range between 30 and 60 days. The credit terms for customers as negotiated with customers are subject to an internal approval process which considers the credit rating scorecard. The ongoing credit risk is managed through regular review of ageing analysis, together with credit limits per customer.

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.

| | Current | | Non-Current | |
|--------------------------|-----------------|---------------|-------------|----------|
| | Within 6 months | 6 – 12 months | 1 – 5 years | 5+ years |
| | \$ | \$ | \$ | \$ |
| 31 December 2021 | | | | |
| Trade and other payables | 651,108 | | 496,718 | - |
| Borrowings | 48,517 | - | - | - |

| | Current | | Non-Current | |
|--------------------------|-----------------|---------------|-------------|----------|
| | Within 6 months | 6 – 12 months | 1 – 5 years | 5+ years |
| | \$ | \$ | \$ | \$ |
| 30 June 2021 | | | | |
| Trade and other payables | 628,870 | - | - | - |
| Borrowings | 20,649 | 563,694 | - | - |

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date.

Note 14. Related party disclosures

The following table provides the total amount of transactions that have been entered into with related parties during the six months ended 31 December 2021 as well as balances with related parties for the twelve month period at 30 June 2021 and 30 June 2020.

Transactions with related parties

The following transactions occurred with related parties:

| | 2021 | | 2020 |
|-------------------------------------------------------------------------------------------|-------------|---------|---------|
| | 31 December | 30 June | 30 June |
| | 2021 | 2021 | 2020 |
| | \$ | \$ | \$ |
| Payments for goods and services: | | | |
| Payments to Optima Financial Group Pty Ltd (director related entity of Philip Carulli) | | | |
| Bookkeeping services | 9,692 | 12,800 | 6,963 |
| Accounting services | 20,400 | 24,770 | 12,546 |
| | 30,092 | 37,570 | 19,509 |

All transactions were made on normal commercial terms and conditions and at market rates.

Note 15. Events after the reporting period

There has been no matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial periods.

Directors' Declaration

In the Directors' opinion:

- > the attached interim 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 interim 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 interim financial statements and notes thereto give a true and fair view of the Company's financial position as at 31 December 2021 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



Michael Vegar
Managing Director

28 February 2022

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF HITIQ LIMITED

Conclusion

We have reviewed the accompanying half-year financial report of HITIQ Limited ("the Company") and its subsidiaries ("the Controlled Entities") which comprises the condensed consolidated statement of financial position as at 31 December 2021, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other selected explanatory notes, 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 half-year financial report of HITIQ Limited and Controlled Entities does not comply with the *Corporations Act 2001* including:

- a. Giving a true and fair view of HITIQ Limited financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134: *Interim Financial Reporting* and *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* that are relevant to our 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 in the same terms if given to the directors as at the time of this auditor's review report.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the Consolidated Entity incurred a net loss of \$3,545,803 during the half year ended 31 December 2021. 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 Consolidated Entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Responsibility of the Directors for the Financial Report

The directors of HITIQ Limited 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 control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and 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 Consolidated Entity's financial position as at 31 December 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.



HALL CHADWICK WA AUDIT PTY LTD



CHRIS NICOLOFF CA
Partner

Dated this 28th day of February 2022

INTERIM FINANCIAL STATEMENTS

HIT·IQ

