CYCLIQ GROUP LIMITED

ABN 47 119 749 647

Appendix 4D

Half-Year Report Period

Results

Reporting Periods

- Current period: Six-month period ended 31 December 2019
- Previous corresponding period: Six-month period ended 31 December 2018

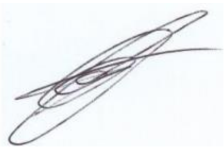
		Percentage Change		31 December 2019 $'000s	31 December 2018 $'000s
▪ Revenue	Down	21%	to	2,399	3,041
▪ Other Income	Down	16%	to	268	320
▪ Profit/(Loss) before tax	Up	69%	to	(468)	(1,496)
▪ Profit/(Loss) after tax	Up	69%	to	(468)	(1,496)
▪ EBITDA	Up	81%	to	(219)	(1,148)

Dividends	Amount per security $	Franked amount $
Current period:		
▪ Interim Dividend	Nil	N/A
▪ Date the Dividend is Payable:	N/A	N/A
▪ Record Date for determining entitlements to the Dividend:	N/A	N/A
Previous corresponding period:		
▪ Interim Dividend	Nil	N/A

Net Tangible Assets (NTA) per Security Dividends				31 December 2019 ¢	30 June 2019 ¢
NTA backing per ordinary share	Down	58%	to	0.014	0.033

Commentary on Results

Full commentary on the results for the reporting period can be found in the Director's Report and the consolidated financial statements for the half-year ended 31 December 2019.



PIERS LEWIS – NON-EXECUTIVE CHAIRMAN

Dated this Friday, 28 February 2020

Cycliq Group Limited

ABN 47 119 749 647

INTERIM FINANCIAL REPORT
for the half-year ended 31 December 2019

Corporate directory

Current Directors

Piers Lewis	*Non-Executive Chairman*	Appointed 22 February 2016
Ben Rattigan	*Non-Executive Director*	Appointed 7 May 2019
Daniel Kennedy	*Non-Executive Director*	Appointed 7 May 2019

Company Secretary

Piers Lewis	*Joint Company Secretary*	Appointed 29 November 2016 - Resigned 30 January 2020
Arron Canicais	*Company Secretary*	Appointed 17 March 2017

Registered Office

Address: C/O SmallCap Corporate - Suite 6, 295 Rokeby Road, Subiaco, WA, 6008
Telephone: +61 (8) 6555 2950
Facsimile: +61 (8) 6166 0261
Email: info@cycliq.com
Website: www.cycliq.com

Principal place of business

Address: Unit A 14, Level 2, 435 Roberts Road, Subiaco, WA, 6008
Email: info@cycliq.com
Website: www.cycliq.com

Securities Exchange

Australian Securities Exchange
ASX Code: CYQ.AX

Share Registry

Advanced Share Registry
Address: 110 Stirling Hwy,
Nedlands Perth WA 6009
Telephone: +61 (8) 9389 8033
Website: www.advancedshare.com.au

Auditors

Bentleys Audit & Corporate (WA) Pty Ltd
Address: London House
Level 3, 216 St Georges Terrace, Perth WA 6000
Telephone: +61 (8) 9226 4500
Facsimile: +61 (8) 9226 4300
Website: www.bentleys.com.au

Contents

Directors' report

Your directors present their report on the consolidated entity, consisting of Cycliq Group Limited (**Cycliq** or **the Company**) and its controlled entities (collectively **the Group**), for the half-year ended 31 December 2019.

1. Directors

The names of Directors in office at any time during or since the end of the half-year are:

- Piers Lewis — *Non-Executive Chairman (Appointed 22 February 2016)*
- Ben Rattigan — Non-Executive Director (Appointed 7 May 2019)
- Daniel Kennedy — Non-Executive Director *(*Appointed 7 May 2019)

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

2. Operating and financial review

2.1. Operations Review

Summary

- Cash flow neutral Q2, with a further $1.2m of customer receipts in Q2 and $2.4m for H1.
- Repayment of a further $64k of debt in Q2 taking total repayment of borrowings to $184k for H1 FY20; cash balance stable at $485k at end of H1.
- 81% Improvement in EBITDA performance from $1.15m loss in H1FY19 to $219,000 loss in H1 FY20.
- Reduced revenue over previous period year on year to $2.39m however gross margin improved by almost 5% to 34% in H1.
- Core operating business is cash flow positive/neutral ahead of new core product launches in H2 which will drive sales lift.
- Very strong Cyber Weekend sales performance, following launch of Fly6 CE Generation 2 in late November.

In the six months post the restructure of the board and executive team, the business has been stabilised ahead of the launch of new products in mid H2 FY20.

Q2 continued to operate on a reduced cost base with tight management of inventory and still achieved more than $1.2m revenue with an average revenue per unit of more than $220.

Retail prices for both products were increased in all markets ahead of the Fly6 CE2 launch in November, and strong direct sales channel performance driven by Cyber Weekend supported the maintenance of a 38% gross margin position for H1 and the higher ARPU. This was achieved in line with exiting Fly6 CE1 stock in channel and close coordination with channel partners in all markets.

Unit sales for H1 FY20 reached 11,028 units, a decrease of 20% for the same period in FY19 but a strong average revenue performance of $218 AUD.

Directors' report

Further to the above sales and revenue update there have also been significant improvements delivered across the other core operating areas of the business.

With a significantly improved H1 EBITDA performance over the preceding half and corresponding period in FY19, the expectation for H2 FY20 is positive as new products come to market and operating costs continue at sustainable levels. The business will continue to execute the strategic roadmap focused on profitable growth through:

The company remains in discussions with Factor Holdings (announced 31 July 2019), inside a six-month exclusivity period which commenced on 1 October 2019. The purpose of the exclusivity period is to consider and assess a potential acquisition between both parties.

- **Product development:** the launch of the Fly6 CE2 signaled the end of previous product issues, with the second generation Fly6 CE performing well in market and the business benefiting from a significant reduction in warrantable returns. H2 will see new core products launched which broader the portfolio and represent a significant opportunity for growth, with the last major refresh taking place more than two years ago in December 2017 when the 'Connected Edition' was launched.
- **Supply chain optimisation**: scale efficiencies continue to be a major focus for us, with an ongoing review of manufacturing operations, shipping and other distribution considerations aimed at improving gross margin and retail margins. As the business has stabilised, the opportunities for improvement in these areas have become clearer, with implementation of key initiatives planned for H2 to turn these insights into tangible cost-reduction and efficiency improvements.
- **Customer focus:** our customers have been the strongest advocates for our products and continue to be vocal supporters as well as an important source of feedback which is directly built into our product development process. We have renewed our focus on ensuring an outstanding end-to-end product experience, from making the product more intuitive and easier to use to focusing on our customer support outcomes.

Finally, tariffs continue to impact retail partner sales in the USA, however there is some confidence that this will be relaxed in H2, naturally enabling improved sales performance which has been depressed in the past 6 months due to the 25% tariff on the Fly6 and Fly12 products.

- This potential re-invigoration of the USA market combined with the uplift expected from the H2 new product releases is expected to provide the sales lift required to reach profitable operation on the now-sustainable cost base achieved post the implementation of efficiency measures started in early 2019.

2.2. Financial Review

a. Operating results

H1 of the current financial year has seen the company continue to stabilise and reduce its operating cost base, managing to significantly improve its financial performance although sales were 21% lower than H1 FY19.

The operating loss was $468k in H1 FY20 compared to $1.47m in H1 FY19, and although sales were $640k lower in H1 FY20 than the previous year, gross margin was only down by $92k to $808k in H1 FY20.

H1 also delivered a reduced cost of customer acquisition at under $7 – a major reduction from the $35+ costs of previous years, reflecting a much more efficient marketing spend and a reduction in outsourced marketing costs.

Directors' report

The $468k loss for the six-month period to December 2019 is inclusive of non-cash share-based payment expenses of $145,390 and depreciation and amortisation expenses of $181,122.

The EBITDA position has been improved significantly on lower revenue and gross margin, due to the following key drivers:

- Right-sizing the operating overhead to the immediate needs of the business, reducing employee related costs by $411k compared to H1 FY19.
- Reduction in variable operating expenses reducing the marketing spend by $437k compared to H1 FY19, relying on organic growth, strong channel partnerships and investing human resources in developing new marketing channels relying on digital platforms to drive sales.
- Recognition that the improvement of existing products and the development of new products was an important growth driver, and not over-investing in the promotion of products that had been in the market for a significant period without refresh, until the launch of the Generation 2 Fly6 CE in November 2019.

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

Details of the Company's assessment in this regard can be found in Note 1 Statement of significant accounting policies: Going Concern.

b. Financial position

The Group has a net asset position of $368,458 at 31 December 2019.

As at 31 December 2019, the Group's cash and cash equivalents increased to $485,494 (June 2019: $379,179) and the group had working capital of $182,404 (June 2019: $417,422 working capital deficit).

2.3. Events Subsequent to Reporting Date

- As at 31 December 2019, Cycliq advised Partners for Growth that, due to breaches of the Borrowing Base and EBITDA covenants under the Loan Agreement, events of default had occurred under the Loan Agreement with Partners for Growth (**Relevant Defaults**). On 4 February 2020, Cycliq proposed a repayment plan to Partners for Growth that would return the Loan Agreement to compliance by 30 April 2020. Partners for Growth does not currently intend to exercise enforcement rights under the Loan Agreement in respect of the Relevant Defaults, but reserves its rights under the Loan Agreement in respect of the Relevant Defaults and any other current or future breaches or events of default under the Loan Agreement. Interest will continue to accrue at the Default Rate while any event of default subsists under the Loan Agreement.
- Piers Lewis resigned as Joint Company Secretary on 30 January 2020.
- The company remains in discussions with Factor Holdings (announced 31 July 2019), inside a six-month exclusivity period which commenced on 1 October 2019. The purpose of the exclusivity period is to consider and assess a potential acquisition between both parties.

3. Auditor's independence declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* (Cth) for the half-year ended 31 December 2019 has been received and can be found on page 4 of the Interim Financial Report.

PIERS LEWIS

Dated this Friday, 28 February 2020

Bentleys
THINKING AHEAD

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Perth WA 6000

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28 February 2020

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 Cycliq Group Limited for the half year ended 31 December 2019, 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

Bentleys

BENTLEYS
Chartered Accountants

DOUG BELL CA
Partner

Dated at Perth this 28th day of February 2020

Member of Allinial GLOBAL
An association of legally independent firms

A member of Bentleys, a network of independent accounting firms located throughout Australia, New Zealand and China that trade as Bentleys. All members of the Bentleys Network are affiliated only and are separate legal entities and not in Partnership. Liability limited by a scheme approved under Professional Standards Legislation.

Advisors
Accountants
Auditors

Condensed consolidated statement of profit or loss and other comprehensive income
for half-year ended 31 December 2019

	Note	31 December 2019 $	31 December 2018 $
Continuing operations			
Revenue	3a	2,398,739	3,040,985
Costs of sales		(1,590,412)	(2,140,713)
Gross Profit		808,327	900,272
Other income	3b	268,352	319,630
Administrative expenses	4a	(160,510)	(182,342)
Distribution expenses	4b	(66,889)	(504,025)
Employee related costs	4c	(978,559)	(1,389,133)
Share based payments expense		-	(32,274)
Research and development expenses		(4,954)	(37,467)
Depreciation and amortisation		(181,122)	(306,441)
Other operating expenses	4d	(84,313)	(222,214)
Finance costs		(68,258)	(42,148)
Loss before tax		(467,926)	(1,496,142)
Income tax benefit / (expense)		-	-
Net (loss) / profit for the half-year		**(467,926)**	**(1,496,142)**
▪ Profit/ (loss) attributable to minority interests		(2,822)	(10,812)
▪ Profit/ (loss) attributable to members of the parent entity		(465,104)	(1,485,330)
		(467,926)	**(1,496,142)**
Other comprehensive income, net of income tax			
▪ Exchange difference on translating foreign operations attributable to Minority interest		-	-
▪ Exchange difference on translating foreign operations attributable to Parent		2,205	(1,035)
Other comprehensive income for the half-year, net of tax		2,205	(1,035)
Total comprehensive income / (loss) for the half year		**(465,721)**	**(1,497,177)**
▪ Profit/ (loss) attributable to minority interests		(2,822)	(10,812)
▪ Profit/ (loss) attributable to members of the parent entity		(462,899)	(1,486,365)
		(465,721)	**(1,497,177)**
Earnings per share:		(cents)	(cents)
Basic and diluted loss per share (cents per share)	6	(0.031)	(0.183)

The condensed consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

Condensed consolidated statement of financial position
as at 31 December 2019

	Note	31 December 2019 $	30 June 2019 $
Current assets			
Cash and cash equivalents		485,494	379,179
Trade and other receivables	7	442,826	202,843
Inventories		475,338	530,673
Prepayments		462,459	606,026
Total current assets		1,866,117	1,718,721
Non-current assets			
Plant and equipment	9	82,520	94,321
Intangible assets	10	103,534	253,752
Total non-current assets		186,054	348,073
Total assets		**2,052,171**	2,066,794
Current liabilities			
Trade and other payables	11	1,036,547	1,079,960
Provisions	13	96,680	230,682
Borrowings	12	550,486	825,501
Total current liabilities		1,683,713	2,136,143
Total liabilities		**1,683,713**	2,136,143
Net assets / (deficiency)		**368,458**	**(69,349)**
Equity			
Issued capital	14	14,095,195	13,295,243
Reserves		412,314	306,533
Accumulated losses		(14,093,699)	(13,628,595)
Parent entity interest		413,810	**(26,819)**
Minority interest		(45,352)	**(42,530)**
Total equity		**368,458**	**(69,349)**

The condensed consolidated statement of financial position is to be read in conjunction with the accompanying notes.

Condensed consolidated statement of changes in equity
for the half-year ended 31 December 2019

	Note	Issued Capital $	Accumulated Losses $	Foreign Currency Translation Reserve $	Share Based Payments Reserve $	Warrants Reserve $	Minority Interests $	Total $
Balance at 1 July 2018		12,122,191	(10,767,325)	58,797	251,914		(13,659)	1,651,918
Loss for the half-year attributable owners of the parent		-	(1,485,330)	-	-		(10,812)	(1,496,142)
Other comprehensive income:								
Foreign exchange gains / (loss) on consolidation		-	-	(1,035)	-		-	(1,035)
Total comprehensive income for the half-year attributable owners of the parent		-	(1,485,330)	(1,035)	-		(10,812)	(1,497,177)
Transaction with owners, directly in equity		-	-	-	-		-	-
Shares issued during the half-year		1,156,158	-	-	-		-	1,156,158
Performance shares issued		-	-	-	14,584		-	14,584
Transaction costs		(126,286)	-	-	-		-	(126,286)
Balance at 31 December 2018		**13,152,063**	**(12,252,655)**	**57,762**	**266,498**		**(24,471)**	**1,199,197**
Balance at 1 July 2019		13,295,243	(13,628,595)	32,600	273,933	-	(42,530)	(69,349)
Loss for the half-year attributable owners of the parent		-	(465,104)	-	-	-	(2,822)	(467,926)
Other comprehensive income:								
Foreign exchange gains / (loss) on consolidation		-	-	2,205	-	-	-	2,205
Total comprehensive income for the half-year attributable owners of the parent		-	(465,104)	2,205	-	-	(2,822)	(465,721)
Transaction with owners, directly in equity								
Shares issued during the half-year		886,374	-	-	-	-	-	886,374
Performance shares and options issued		-	-	-	-	-	-	-
Warrants Issued						103,576		103,576
Transaction costs		(86,422)	-	-	-	-	-	(86,422)
Balance at 31 December 2019		**14,095,195**	**(14,093,699)**	**34,805**	**273,933**	**103,576**	**(45,352)**	**368,458**

The condensed consolidated statement of changes in equity is to be read in conjunction with the accompanying notes

Condensed consolidated statement of cash flows

for the half-year ended 31 December 2019

	Note	31 December 2019 $	31 December 2018 $
Cash flows from operating activities			
Receipts from customers		2,370,987	2,957,003
Other income received		40,000	620,090
Interest and borrowing costs received		119	1,005
Interest and borrowing costs paid		(61,198)	-
Payments to suppliers and employees		(2,740,449)	(4,229,476)
Net cash used in operating activities		(390,541)	(651,378)
Cash flows from investing activities			
Purchase of intangible assets (capitalised development costs)		(2,612)	(45,283)
Purchase of plant and equipment		(91)	(21,667)
Net cash used in investing activities		(2,703)	(66,950)
Cash flows from financing activities			
Net proceeds from issue of shares		740,984	1,094,400
Payment made in respect to issue of shares		(86,422)	(111,702)
Prepayments for finance facilities		-	(20,000)
(Repayment of) / Proceeds from borrowings		(183,674)	(26,744)
Net cash provided by financing activities		470,888	935,954
Net increase in cash held		77,644	217,627
Foreign exchange effects on cash balances held		28,671	27,744
Cash and cash equivalents at the beginning of the half-year		379,179	315,046
Cash and cash equivalents at the end of the half-year		**485,494**	**560,417**

The condensed consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

for the half-year ended 31 December 2019

Note 1 Statement of significant accounting policies

These are the condensed consolidated financial statements and notes of Cycliq Group Limited (**Cycliq** or **the Company**) and controlled entities (collectively **the Group**). Cycliq is a company limited by shares, domiciled and incorporated in Australia.

The financial statements were authorised for issue on 28 February 2020 by the directors of the Company.

a. Basis of preparation

This interim financial report is intended to provide users with an update on the latest annual financial statements of Cycliq Group Limited and its controlled entities. 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 combination with the annual financial statements of the Group for the year ended 31 December 2019, together with any public announcements made during the half-year.

i. 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 notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

ii. 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 realisation of assets and the settlement of liabilities in the ordinary course of business.

For the half year ended 31 December 2019 the Group made a loss of $467,926 (2018 – $1,496,142) and as at balance date had working capital of $182,404 (30 June 2019: deficit of $417,422). Included in the working capital is the PFG stock funding facility of $550,486 (net of transaction costs). The facility has a term of three years, however during the period the Company advised Partners for Growth that, due to breaches of the Borrowing Base and EBITDA covenants under the Loan Agreement, events of default had occurred under the Loan Agreement with Partners for Growth. Accordingly, the balance is reflected as current in the statement of financial position. On 4 February 2020, Cycliq proposed a repayment plan to Partners for Growth that would return the Loan Agreement to compliance by 30 April 2020. Partners for Growth does not currently intend to exercise enforcement rights under the Loan Agreement in respect of the Relevant Defaults, but reserves its rights under the Loan Agreement in respect of the Relevant Defaults and any other current or future breaches or events of default under the Loan Agreement. Interest will continue to accrue at the Default Rate while any event of default subsists under the Loan Agreement.

These factors indicate a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern. The directors have prepared a cashflow forecast which indicates that the group will have sufficient cashflows to meet all commitments and working capital requirements for the 12-month period from the date of signing this report.

Notes to the consolidated financial statements
for the half-year ended 31 December 2019

Note 1 Statement of significant accounting policies

ii. Going Concern (continued)

The Directors are confident of the Group's ability to continue as a going concern for the following reasons:

- The demonstrated ability to contain costs in all areas of the business. Management expect that operating costs will be further reduced in the succeeding financial years which will improve operating cashflows;
- Management have prepared a cashflow forecast for the next 12 months that indicates the operating cash inflows will be sufficient to meet expenses and other financial obligations as an when they are due;
- The market opportunity is significant which the group is continuing to generate increasing revenue from. The Group is expecting to launch complimentary products in the succeeding financial years to help expand into this market opportunity;
- The demonstrated ability to obtain loans to support business activities; and
- The ability to raise capital which has been demonstrated during the half year where the Company has raised $740,984 (before costs) through the issues of shares to existing and new shareholders.

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 Consolidated Entity be unable to continue as a going concern 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 debts as and when they fall due.

iii. Application of New and Revised Accounting Standards

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Boards ("AASB") that are mandatory for the current reporting period. The impact from adoption of these Accounting Standards and Interpretations have been assessed below.

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

AASB 16 – Leases

The Group has adopted AASB 16 with effect from 1 January 2019. AASB 16 introduces a new framework for accounting for leases and replaces AASB 117 Leases and sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees are required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. The Directors have assessed there is no impact on the adoption of this standard as the Group has no leases greater than 12 months.

Significant Accounting Estimates and Judgements

The preparation of the interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2019, except for the impact of the new Standards and Interpretations effective as disclosed above.

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2019

Note 2 Company details

a. Registered Office

Address: C/O SmallCap Corporate - Suite 6, 295 Rokeby Road, Subiaco, WA, 6008
Telephone: (08) 6555 2950
Facsimile: (08) 6166 0261
Email: info@cycliq.com
Website: www.cycliq.com

b. Principal place of business

Address: Unit A 14, Level 2, 435 Roberts Road, Subiaco, WA, 6008
Email: info@cycliq.com
Website: www.cycliq.com

Note 3 Revenue and other income

	31 December 2019 $	31 December 2018 $
a. Revenue		
Fly12 sales	(747)	13,380
Fly6 sales	(529)	5,412
Fly12 CE sales	1,264,341	1,536,606
Fly6 CE sales	676,769	1,317,877
Fly6 CE Gen 2	310,705	
Other accessories sales	104,958	166,826
Other	43,242	884
	2,398,739	3,040,985
b. Other income		
Grant income	268,233	318,375
Interest income	119	1,255
	268,352	319,630

Note 4 Expenses

The following significant revenue and expense items are relevant in explaining the financial performance:

	31 December 2019 $	31 December 2018 $
a. Administrative expenses:		
▫ Consultants expenses	42,419	83,154
▫ Audit fee expenses	21,188	10,364
▫ Legal expenses	43,768	7,261
▫ ASX operating expenses	19,673	46,300
▫ Share registry expenses	15,219	14,344
▫ Other administrative expenses	18,243	20,920
	160,510	182,343

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2019

Note 4 Expenses

	31 December 2019 $	31 December 2018 $
b. Distribution expenses:		
Advertising and marketing expenses	62,461	431,413
Warehouse and storage fees	4,428	-
Public Relations	-	72,612
	66,889	504,025
c. Employee related expenses:		
Salaries and wages	272,949	580,486
Annual Leave expenses	(1,916)	(7,201)
Superannuation costs	26,395	48,703
Sub-contractor costs - Australia	242,041	297,940
Sub-contractor costs – Philippines	249,166	274,351
Sub-contractor costs – USA	21,696	111,110
Sub-contractor costs – Other	6,632	17,475
Employee and Contractor share based payments	84,800	32,274
Staff training expenses	0	3,597
Payroll tax expense	13,130	(22,364)
Directors fees	63,666	85,036
	978,559	1,421,407
d. Other operating costs:		
Travel & Accommodation expenses	4,006	55,330
Foreign currency gains and losses	(23,136)	(28,780)
IT costs	20,810	10,766
Insurance	26,003	27,093
Quality Assurance costs	738	-
Rental expenses	41,523	38,071
Disputed Freight Cost	-	70,596
Other operating costs / (recoupment)	14,369	49,138
	84,313	222,214

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2019

Note 5 Share based payments

a) Performance shares

There has been no change to the valuation methodology applied to 10,000,000 performance shares issued to employees and consultants in previous periods. The performance milestones and valuation methodology are outlined in the notes to the 30 June 2018 consolidated financial statements.

b) Shares

	Note	31 December 2019 $	31 December 2018 $
During the period the following shares were issued for services provided to the Group:			
▫ Shares issued to key management personnel as remuneration for services provided (32,188,872 shares at $0.001 per share)	14	32,189	24,147
▫ Shares issued to employees as remuneration for services provided (3,260,836 shares at $0.001 per share)	14	3,261	8,127
▫ Shares issued to contractors and consultants as consideration for services provided (109,940,374 shares at $0.001 per share)	14	109,940	-
		145,390	**32,274**

Note 6 Earnings per share (EPS)

	31 December 2019 $	31 December 2018 $
a. Reconciliation of earnings to profit or loss		
(Loss) / profit for the half-year attributable to members of the parent entity	(462,899)	(1,483,330)
(Loss) / profit used in the calculation of basic and diluted EPS	**(462,899)**	**(1,483,330)**

	31 December 2019 No.	31 December 2018 No.
b. Weighted average number of ordinary shares outstanding during the half-year used in calculation of basic EPS	1,498,376,785	805,964,181

	31 December 2019 ₵	31 December 2018 ₵
c. Earnings per share		
Basic and diluted EPS (cents per share)	(0.031)	(0.183)

d. At the end of the half-year ended 31 December 2019, the Group had 109,708,930 unissued shares under options (Dec 2018: 94,357,153) & 142,857,143 Warrants. The Group does not report diluted earnings per share on annual losses generated by the Group.

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2019

Note 7 Trade and other receivables

	31 December 2019 $	30 June 2019 $
Current		
Trade debtors	135,154	186,014
Less: provision for Doubtful debts	(28,313)	(28,313)
Accrued income receivable	264,056	5,405
Research and Development tax refund receivable	-	17,706
Other receivables	28,847	2,767
Goods and Services Tax receivable	43,082	19,264
	442,826	202,843

Note 8 Controlled entities

a. Legal parent entity

Cycliq Group Limited is the ultimate parent of the Group

i. Legal subsidiaries	Country of Incorporation	Class of Shares	Percentage Owned	
			31 December 2019	30 June 2019
▫ Cycliq Products Pty Ltd	Australia	Ordinary	100%	100%
▫ Cycliq Research and Development (HK) Ltd	Hong Kong	Ordinary	50%	50%

b. Account parent entity

Cycliq Products Pty Ltd is the accounting parent of the Group

i. Accounting subsidiaries	Country of Incorporation	Class of Shares	Percentage Controlled	
			31 December 2019	30 June 2019
▫ Cycliq Group Limited	Australia	Ordinary	100%	100%
▫ Cycliq Research and Development (HK) Ltd	Hong Kong	Ordinary	50%	50%

c. Investments in subsidiaries are accounted for at cost.

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2019

Note 9 Property, plant, and equipment

	31 December 2019 $	30 June 2019 $
Non-current		
Computer equipment at cost	58,658	58,568
Accumulated depreciation	(47,620)	(42,229)
	11,038	16,339
Fly6 CE Dummy units	3,498	-
Accumulated depreciation	(2,039)	-
	1,459	-
Fly12 CE Dummy units	6,960	-
Accumulated depreciation	(4,458)	-
	2,502	-
Office furniture and equipment at cost	40,050	40,049
Accumulated depreciation	(31,981)	(28,435)
	8,069	11,614
Leasehold improvements	3,433	3,433
Accumulated depreciation	(3,433)	(2,850)
	-	583
Point of Presence countertop display units at cost	503,367	513,567
Accumulated depreciation	(443,915)	(447,782)
	59,452	65,785
Total property, plant, and equipment	**82,520**	**94,321**

Note 10 Intangible assets

	31 December 2019 $	30 June 2019 $
Non-current		
Product development costs	1,210,317	1,200,960
Accumulated amortisation	(1,106,783)	(937,552)
Impairment	-	(9,656)
Total Intangible assets	**103,534**	**253,752**
Movement for the period		
Opening Balance	253,752	573,137
Additions for capitalised development costs	19,013	31,809
Amortisation	(169,231)	(341,538)
Impairment	-	(9,656)
Total Intangible assets	**103,534**	**253,752**

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2019

Note 11 Trade and other payables

	31 December 2019 $	30 June 2019 $
Current		
Unsecured		
Trade payables	464,712	539,556
Accrued expenses	305,585	301,268
Other payables	266,250	239,136
	1,036,547	1,079,960

Note 12 Borrowings

	31 December 2019 $	30 June 2019 $
Current		
Stock Funding Facility - PFG	642,801	792,801
Unexpired Transactions costs - Warrants	(92,315)	-
Insurance premium funding	-	32,700
	550,486	825,501

During the financial year ended 30 June 2019, Cycliq entered into a stock funding facility with Partners for Growth ("PFG"). This facility allowed Cycliq to draw funds from the facility equivalent to the value of 90% of the finished goods inventory. Funds were drawn down at a fixed annualised interest rate of 11.25% payable in AUD and calculated on a monthly basis for the actual number of days elapsed during each month and on the basis of a 360-day year. Accrued interest for each month shall be payable monthly, on the first day of each month for interest accrued during the prior month, should there be a breach of covenants there will be an annual Default Rate of 15.75% fixed.

$792,801 was first drawn down from this facility in March 2019 and of the drawn funds $510,000 was used to pay the previous Toad Group Pty Ltd funding facility.

In addition Partners for Growth extended a short term 'over advance' of $300,000 to assist in the repayment of debt. The 'over advance' was due for repayment in full at 30 June 2019. As at 30 June 2019 Cycliq had breached certain financial covenants in relation to this facility. On the 16th July 2019 PFG and Cycliq entered into a Deed of Forbearance. This agreement extended the time frame for the 'over advance' repayment to $100,000 due on the 12th September 2019 and $200,000 due for repayment by 31st October 2019. As part of this agreement the covenants relating to EBITDA were renegotiated to align with the forecast for FY2020. The over advance repayment of $100,000 due and payable by 12 September 2019 was met, with $50,000 of the $200,000 paid in December 2019. The remaining $150,000 was settled in full subsequent to balance date in February 2020.

Subsequent to shareholder approval at the AGM, Cycliq issued 67,857,143 warrants, being an option to acquire shares in the Company with an exercise price of $0.007 and an expiry date of 29 March 2026 to PFG in accordance with the facility agreement, and 75,000,000, warrants with an exercise price of $0.001 and an expiry date of 16 July 2026 in accordance with Deed of Forbearance. The warrants issue were treated as an incremental transaction cost to be recognised over the original term of loan under the facility agreement. The warrants were measured using a black-scholes valuation methodology based on the following inputs, (i) share price at grant date of $0.001, (ii) exercise price of $0.007, (iii) term of 7 years, (iv) risk free rate of 0.86%, (v) dividend yield of 0%; and (vi) a volatility of 81.09%.

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2019

Note 12 Borrowings continued

As at 31 December 2019, Cycliq advised Partners for Growth that, due to breaches of the Borrowing Base and EBITDA covenants under the Loan Agreement, events of default had occurred under the Loan Agreement with Partners for Growth (**Relevant Defaults**). On 4 February 2020, Cycliq proposed a repayment plan to Partners for Growth that would return the Loan Agreement to compliance by 30 April 2020.

Partners for Growth does not currently intend to exercise enforcement rights under the Loan Agreement in respect of the Relevant Defaults, but reserves its rights under the Loan Agreement in respect of the Relevant Defaults and any other current or future breaches or events of default under the Loan Agreement. Interest will continue to accrue at the Default Rate while any event of default subsists under the Loan Agreement.

Note 13 Provisions

	31 December 2019 $	30 June 2019 $
Current		
Provision for current employee benefits	28,483	30,399
Provision for warranty claims	68,197	145,390
Provision for unearned income	-	54,893
	96,680	230,682

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2019

Note 14 Issued capital	31 December 2019 No.	30 June 2019 No.	31 December 2019 $	30 June 2019 $
Fully paid ordinary shares at no par value	1,858,342,482	971,968,130	14,095,195	13,295,243

	6 months to 31 December 2019 No.	12 months to 30 June 2019 No.	6 months to 31 December 2019 $	12 months to 30 June 2019 $
a. Ordinary shares				
At the beginning of the period	971,968,130	779,784,490	13,295,243	12,122,191
Shares issued during the period:				
▫ Issue of shares	740,984,270	167,046,713	740,984	1,129,998
▫ Shares issued to key management personnel	32,188,872	13,928,571	32,189	78,257
▫ Shares issued to Consultants & employees	113,201,210	11,208,356	113,201	97,314
Transaction costs relating to share issues	-	-	(86,422)	(132,517)
At reporting date	**1,858,342,482**	**971,968,130**	**14,095,195**	**13,295,243**

b. Options

There were 109,708,930 unlisted options & 142,857,143 Warrants on issue at the balance date (31 December 2018: 94,357,143).

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2019

Note 15 Operating segments

a. Segment Performance

Half-Year ended 31 December 2019	USA $	Australia $	UK $	Other $	Total $
Revenue					
▫ Revenue	1,023,611	250,002	586,346	538,780	2,398,739
Total segment revenue	1,023,611	250,002	586,346	538,780	2,398,739
Total group revenue and other income					**2,398,739**
Segment net profit from continuing operations before tax	**348,027**	**85,000**	**199,357**	**175,943**	**808,327**
Reconciliation of segment loss to group loss					
(i) Amounts not included in segment results but reviewed by Board:					
▫ Other income					268,352
▫ Administrative expenses					(160,510)
▫ Distribution expenses					(66,889)
▫ Employee related expenses					(833,169)
▫ Research and development expenses					(4,954)
▫ Depreciation and amortisation					(181,122)
▫ Other operating expenses					(84,313)
(ii) Unallocated items					
▫ Share-based payments					(145,390)
▫ Interest and finance costs					(68,258)
Loss before income tax					**(467,926)**

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2019

Half-Year ended 31 December 2018	USA $	Australia $	UK $	Other $	Total $
Revenue					
▫ Revenue	1,128,920	485,795	1,078,960	347,310	3,040,985
Total segment revenue	1,128,920	485,795	1,078,960	347,310	3,040,985
Total group revenue and other income					**3,040,915**
Segment net profit from continuing operations before tax	**143,818**	**334,213**	**319,422**	**102,819**	**900,272**
Reconciliation of segment loss to group loss					
(iii) Amounts not included in segment results but reviewed by Board:					
▫ Other income					319,630
▫ Administrative expenses					(182,342)
▫ Distribution expenses					(504,025)
▫ Employee related expenses					(1,389,133)
▫ Research and development expenses					(37,467)
▫ Depreciation and amortisation					(306,441)
▫ Other operating expenses					(222,213)
(iv) Unallocated items					
▫ Share-based payments					(32,274)
▫ Interest					(42,149)
Loss before income tax					**(1,496,142)**

b. Segment Assets and Liabilities

As at 31 December 2019	USA $	Australia $	UK $	Other $	Total $
Segment Assets	44,545	30,637	19,927	7,237	102,346
Reconciliation of segment to group assets					
▫ Unallocated assets					1,949,825
Total assets					**2,052,171**
Segment Liabilities	-	-	-	-	-
Reconciliation of segment to group liabilities					
▫ Unallocated liabilities					1,683,713
Total liabilities					**1,683,713**

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2019

As at 30 June 2019	USA $	Australia $	UK $	Other $	Total $
Segment Assets	24,405	71,878	341	-	96,624
Reconciliation of segment to group assets					
▫ Unallocated assets					1,970,170
Total assets					**2,066,794**
Segment Liabilities	-	-	-	-	-
-Reconciliation of segment to group liabilities					
▫ Unallocated liabilities					2,136,153
Total liabilities					**2,136,153**

Note 16 Commitments

There is no significant change in the Company's commitments since the year ended 30 June 2019 to date of this report.

Note 17 Contingent liabilities

There has been no change in contingent liabilities since the last annual reporting period.

Note 18 Events subsequent to reporting date

The following events and transactions occurred subsequent to 31 December 2019:

- As at 31 December 2019, Cycliq advised Partners for Growth that, due to breaches of the Borrowing Base and EBITDA covenants under the Loan Agreement, events of default had occurred under the Loan Agreement with Partners for Growth (**Relevant Defaults**). On 4 February 2020, Cycliq proposed a repayment plan to Partners for Growth that would return the Loan Agreement to compliance by 30 April 2020. Partners for Growth does not currently intend to exercise enforcement rights under the Loan Agreement in respect of the Relevant Defaults, but reserves its rights under the Loan Agreement in respect of the Relevant Defaults and any other current or future breaches or events of default under the Loan Agreement. Interest will continue to accrue at the Default Rate while any event of default subsists under the Loan Agreement.
- Piers Lewis resigned as Joint Company Secretary on 30 January 2020.
- The company remains in discussions with Factor Holdings (announced 31 July 2019), inside a six-month exclusivity period which commenced on 1 October 2019. The purpose of the exclusivity period is to consider and assess a potential acquisition between both parties.

Directors' declaration

The Directors of the Company declare that:

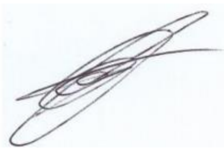
1. The condensed financial statements and notes, as set out on pages 5 to 21, are in accordance with the *Corporations Act* 2001 and:

    (a) comply with Accounting Standard AASB 134: *Interim Financial Reporting*; and

    (b) give a true and fair view of the financial position as at 31 December 2019 and of the performance for the half-year ended on that date of the Company.

2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the *Corporations Act* 2001 and is signed for and on behalf of the directors by:



PIERS LEWIS – NON EXECUTIVE CHAIRMAN
Dated this Friday, 28 February 2020

Bentleys
THINKING AHEAD

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Independent Auditor's Review Report

To the Members of Cycliq Group Limited

We have reviewed the accompanying half-year financial report of Cycliq Group Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled during the half-year.

Directors Responsibility for the Half-Year 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 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

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the 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 2019 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. As the auditor of the Consolidated Entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

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Advisors
Accountants
Auditors

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

Conclusion

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 Cycliq Group Limited and Controlled Entities is not in accordance with the Corporations Act 2001 including:

a. Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2019 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(a(ii)) in the half-year financial report, which indicates that the Consolidated Entity incurred a net loss of $467,926 during the half year ended 31 December 2019. As stated in Note 1(a(ii)), these events or conditions, along with other matters as set forth in Note 1(a(ii)), 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.

Bentleys

BENTLEYS
Chartered Accountants

Doug Bell

DOUG BELL CA
Partner

Dated at Perth this 28th day of February 2020