MYFIZIQ LIMITED

ACN 602 111 115

PRELIMINARY FINAL REPORT

For the Financial Year Ended 30 June 2020
(incorporating information pursuant to ASX listing rule 4.3A)

1. Details of the reporting period

Name of entity:	**MYFIZIQ LIMITED**
ABN:	**85 602 111 115**
Current Reporting Period	**30 June 2020**
Previous Reporting period	**30 June 2019**

2. Results for announcement to the market

Financial Results	Result $	Increase / (Decrease) $	Increase / (Decrease) %
Revenues from continuing activities	667,197	(231,359)	(25.7%)
Loss from continuing activities after tax attributable to members	(5,396,512)	1,039,350	23.9%
Net loss for the period attributable to members	(5,396,512)	1,039,350	23.9%

The current year includes approximately $2.1m in share-based payments (2019: approximately $1.2m).

3. Dividends

Dividends	Amount per security	Franked amount per security
Final dividend proposed	Nil	n/a
Interim dividend	Nil	n/a
Record date for determining entitlement to the dividend (if any)	n/a	n/a

4. Net tangible asset backing

	2020	2019
NTA Backing		
Net tangible asset backing per ordinary share on issue (cents)	(0.8c)	(1.0c)

5. Control gained over entities

No control gained over entities in the current period.

6. Loss of control over entities

No loss of control over entities in the current period.

7. Details of associates and joint venture entities

Joint venture entities:

The Company has a 50% holding in the Joint Venture entity Body Composition Technologies Pte Limited, a company incorporated in Singapore. Refer to Note 23 of the Preliminary Financial Report.

8. Foreign entities

Not applicable

9. Financial Statements and Audit

The financial statements included in the preliminary final report are unaudited and based on accounts which are in the process of being audited by PKF Perth.

10. Audit opinion

The attached financial report for the year ended 30 June 2020 forms part of this Appendix 4E. is anticipated that the independent audit report will be subject to an emphasis of matter, which relates to the entity's ability to continue trading as a going concern. We anticipate that the auditor's opinion will not be modified, and we draw your attention to Note 1(a)(i) in the Preliminary Final Report.

11. Location Table for Information Required by Appendix 4E

Appendix 4E paragraph	Where information located
1	Results Summary – 1.1 Details of reporting period
2	Results Summary – 2.1 Results for announcement to the market
3	Financial Statements – Statement of Profit or Loss and Other Comprehensive Income
4	Financial Statements – Statement of Financial Position
5	Financial Statements – Statement of Cash Flows
6	Financial Statements – Statement of Changes in Equity
7	Results Summary – not applicable
8	Results Summary – not applicable
9	Results Summary – Net Tangible Assets per Security
10	Results Summary – 5 Control gained over entities and 6 Loss of control over entities
11	Results Summary – 7 Details in associates and joint ventures
12	Results Summary / Financial Statements
13	Not applicable
14	Financial Statements – Directors Commentary and Notes
15	Results Summary – 9 Financial Statements and Audit
16	Results Summary – 10 Audit Opinion
17	Not applicable

Statement of Profit or Loss and Other Comprehensive Income
For the financial year ended 30 June 2020

Principal Activities and Operating Model

The principal activity of the Company during the financial year was the ongoing development of its mobile phone-based technology, which provides end-users with an ability to scan their body using their mobile phone camera to give them accurate dimensions of their anatomy. The Company's technology is offered as software as a service solution (SAAS) using a business-to-business ("B2B") operating model.

MyFiziq operates across the following B2B business verticals:

- Health & Fitness
- Insurance Life & Health
- Telemedicine /Digital Health
- Online Apparel
- Wellness

There have been no significant changes in the nature of these activities during the financial year.

Review of Operations

Operating results and financial position

The net loss after income tax for the financial year was $5,396,512 (2019: $4,357,162), which includes $2,073,776 (2019: $1,206,802) in respect of share-based payments to suppliers, directors and employees under the Company's incentive plans.

Before share-based payments, the Company's adjusted net loss after income tax for the financial year is $3,322,736, which represents a 5% (or $172,376) increase over FY19 ($3,150,360), calculated as follows:

Table 1. Impact of Share-based payments on Total comprehensive loss for the year

	Year Ended 30 June 2020 $	**Year Ended 30 June 2019 $**
Total comprehensive loss for the year	5,396,512	4,357,162
Share-based payments (non-cash) adjusted for:		
Directors and employees remuneration	1,120,357	1,206,802
Corporate advisory services	918,919	-
Investor relations	34,500	-
	2,073,776	**1,206,802**
Total comprehensive loss for the year before share-based payments	**3,322,736**	**3,150,360**

Cash assets at the end of the financial year were $627,304 (2019: $573,977) with the Company having access to convertible note funding of A$1.84m available on 30 June 2020 (refer to Note 17 [6] of the Notes to the Preliminary Financial Statements).

The Company's operations during the year performed as expected in the opinion of the directors.

Statement of Profit or Loss and Other Comprehensive Income
For the financial year ended 30 June 2020

Company Overview
Vlado Bosanac, Chief Executive Officer:

This has been a landmark year for the Company. Our team has worked exceptionally hard over the past five years to produce a versatile, highly accurate piece of technology which is now being delivered to the global market. Off the back of fifteen signed term sheets with partners, our focus over FY21 will be on fulfilling our contractual obligations and delivering our software as a service (SAAS) to a wide audience via our sales channel partners. Consequently, generating and growing top line revenue is right at the top of our strategic agenda.

With Wellteq having already launched in FY19, the Evolt Active app (with the MyFiziq technology embedded) was made available on the Apple Store in June 2020. Although marketing is yet to commence, the launch of the Evolt Active app in many ways signalled the beginning of the growth cycle for MyFiziq. MyFiziq has a further thirteen product launches we expect to deliver over the course of 2020 and 2021, courtesy of the previous signed and announced agreements the Company had in place with channel partners at the reporting date.

There have been several other noteworthy highlights during the financial year under review which has given the Company the ideal foundation with which to implement its growth plans in FY21. Firstly, the Company navigated its way through the initial COVID-19 challenge, securing USD1.5 million (circa A$2.2m) in capital and an additional $600,000 in loan funding during the period, while simultaneously reducing our liabilities by $1.89 million with the conversion of convertible note holders to shares. The shares were issued at an agreed price of $0.30 per share, which was a premium to the market at the time of announcement on 17 June 2020 of 25%.

The USD1.5 million capital funding mentioned above is a significant development for the Company, primarily as the deal has been concluded with the goal of advancing the companies prospect to a NASDAQ listing. Listing on the NASDAQ will give the future growth of the Company a tremendous boost. It will assist MyFiziq with advancing relationships with its US domiciled partners which in turn will bring both fresh investors and support to the Company. The Company will be providing further updates to shareholders as developments unfold.

BUSINESS HIGHLIGHTS AT A GLANCE		
5 **Five new agreements signed with partners during the year.**	**15** Fifteen signed agreements in place with sales channel partners overall (at the signing date).	**$561,537** $561,537 improvement to 'Net cash flows from operating activities' compared to FY19.
USD$1.5 MILLION NASDAQ FUNDING **$1.5 million in funding was secured during the reporting period, primarily for working capital and the dual listing to NASDAQ Capital Market.**	**STABLE THROUGH COVID-19** COVID-19 has had minimal negative impact overall with Company experiencing a 47% increase in share price between 2 March 2020 and 30 June 2020. Whilst a number of our partners experienced minor delays but are now back on track.	**$1.8 MILLION IN DEBT SETTLED** During the year, $693,124 was received from partners for application builds and subscriptions, convertible note debt of $1.3 million was settled by way of share issue and $550k in loans have been repaid.

Year Highlights

Five (5) new agreements

During the year, the Company signed binding term sheets with WellKom, TicTrac, Fit Capital HK, Serfaty Clinic Brazil, and Bearn, LLC and a letter of intent (LOI) with the Serfaty Clinic.

Bearn presents a unique multi-sided vendor backed platform that allows for the gamification and engagement of health with users. Users earn actual cash for improving their health, fitness, and wellness. Both WellKom and Tictrac area UK-based wellness platforms, whereas Fit Capital HK offers a goal setting and social betting training platform through their app (Stryde Fitness app). The LOI with the Serfaty Clinic is to commence testing of the new CompleteHealth application in readiness for entry into the Brazilian market, for the identification of the obese and overweight population in Brazil.

Fifteen (15) binding term sheets overall

At the time of this report, the Company had fifteen (15) signed agreements overall, three of which have already been launched through our channel partners, namely Wellteq, Evolt and Bearn. The remaining eleven agreements are anticipated to launch throughout the course of 2020 and 2021. The potential revenue that will be generated from the uptake in subscriptions as part of our software as a service (SAAS) licensing and delivery model is expected to be material and the Company is confident that it will achieve break-even within the next 12 months. The precise timing on this may be subject to volatility given the current state of the world economy.

$561,537 improvement in 'Net cash flows used in operating activities'

During FY20, the Company received a total of $695,124 in payments from partners for application development and subscriptions. During the period 1 March 2020 to 30 June 2020 ('Q4"), the Company had one of the best operating quarters since its inception in 2014. The Company received over $654,239 from customers and partners and reduced its operating expenditure over Q4 by 49%, compared to the average of the previous 3 months, resulting in a saving during the quarter of $1.1 million (refer to the 'Quarterly Report and Appendix 4C' announced on the ASX platform on 30 July 2020). As a result, 'Net cash flows used in operating activities' improved by $561,537 for the financial year ended 30 June 2020.

USD$1.5 million Funding

On 1 June 2020, the Company announced that it had executed a formal funding agreement for USD$1.5 million (circa A$2.2m) with Asia Cornerstone Asset Management (ACAM) by way of convertible note. The capital raised will be used to assist the Company with its working capital and expansion into the US, commencing the process of seeking a dual listing of the Company's securities on the main index of the NASDAQ Capital Market.. The Company is looking to raise a total of USD$3 million by way of convertible note, with discussions underway with potential investors to complete the balance of USD$1.5 million.

$1.89 million debt settled

Cash inflows of $1.666 million during the period 1 March 2020 through 30 June 2020, which includes a $600,000 advance from R&D Capital Partners (Pty) Ltd on the Company's R & D tax rebate, ensured a strong ending to FY20 and allowed the Company to shore up its balance sheet by repaying $550k in borrowings, with a further $1.34 million in convertible note debt settled by way of a share issue, at $0.30 per share.

Stable through COVID-19

Despite the economic shut down of many businesses and economies around the world due to the COVID-19 pandemic, MyFiziq has remained steady by achieving one of its best quarterly results and raising USD$1.5 million during the period. Furthermore, the Company has been identified by current and potential new partners as a key component in the digital health and Telemedicine space. This has provided some real opportunities for MyFiziq and its technology. An example of this is the Memorandum of Understanding the Company has executed with Canadian-based NuraLogix, where MyFiziq's technology will integrate with NuraLogix to form the CompleteHealth application (in development) allowing a user to identify a number of markers through both facial and total body scans to assist in identifying chronic illness (refer ASX announcement dated 6 July 2020).

Conclusion on the Company's performance during the 2020 financial year

The board and management believe the Company made significant progress during F20, laying a solid foundation for further growth in FY21. Listing on the NASDAQ will undoubtedly create value for the Company and its shareholders and is a top priority for the board and management. From a financial perspective, the Company made substantial reductions to debt and collected payments from partners, which improved both the qualitative and quantitative aspects of the balance sheet and brought about a strong finish for the Company to FY19.

The Company has progressed its position well over the period, having achieve multiple new partner agreements, launched 3 applications, reduced debt and raise capital for expansion. The focus of the year to come is to drive further partner signings and revenue from existing partnerships.

Looking forward

We are excited by the many opportunities across the Company, to better grow the business on a global scale and, in doing so, create value for our shareholders. We are focused on generating top line revenue by launching with our partners in accordance with the fifteen signed agreements already in place. With the Evolt Active app already live, the Bearn app launched on 24 August 2020 and is now available on both the Apple App Store and the Google Play Store. The MyFiziq technology is embedded into the Bearn application and ready to reach into the 25,000,000 pre-registered users they have acquired through their existing partnerships.

The potential listing on the NASDAQ will give the Company an opportunity to accelerate its expansion in the US by being domiciled closer to its core customer base, who are experiencing rapid industry growth, particularly in the digital health space. According to CB Insights[1], over $20 billion in funding was raised across 150 digital health cohort[2] companies in 2020 alone, of which 77% pertains to funding raised in the US.

In closing, we expect some headwinds from a challenged global economy in FY20, however, we have begun the new financial year with momentum. A continued focus on revenue, growth and a possible listing on the NASDAQ is expected to deliver meaningful benefits to the Company and its shareholders in the year ahead. The board and management remain confident for the outlook for FY21.

[1] – 'Digital Health 150: The Digital Health Startups Transforming the Future of Healthcare.'

(https://www.cbinsights.com/research/report/digital-health-startups-redefining-healthcare/)

[2] - The 2020 Digital Health 150 cohort comprises a broad range of startups, including well-funded companies commercializing their products and expanding into new markets, startups forming business relationships with key industry players, and early-stage startups with a strong research focus. A full list can be found by clicking the cbinsights.com link above.

Statement of Profit or Loss and Other Comprehensive Income

For the financial year ended 30 June 2020

	Note	Year Ended 30 June 2020 $	Year Ended 30 June 2019 $
Revenue			
Annual Recurring (ARR)		**139,858**	4,645
On Demand		**32**	-
Other Income			
Other income	3	**527,293**	893,820
Interest income		**14**	91
Total revenue		**667,197**	898,556
Expenses			
Employee expenses	3	**(3,899,432)**	(3,823,885)
Consulting and advisory		**(87,924)**	(299,472)
Corporate		**(332,583)**	(296,899)
Brand development and patent costs		**(215,297)**	(263,810)
Marketing and publicity	3	**(1,052,672)**	(67,934)
Travel and accommodation		**(317,265)**	(233,943)
Telecommunications & IT		**(140,710)**	(120,694)
Occupancy costs		**(63,956)**	(133,882)
Financing costs		**(143,582)**	(136,603)
Realised foreign exchange losses		**(1,135)**	-
Amortisation and depreciation expense		**(245,645)**	(199,570)
Administration and other expenses		**(229,726)**	(210,668)
Total expenses		**(6,729,927**	(5,787,360)
Loss before income tax		**(6,062,730)**	(4,888,804)
Income tax benefit	4	**666,218**	531,642
Net loss for the year		**(5,396,512)**	(4,357,162)
Other comprehensive income		**-**	-
Total comprehensive loss for the year		**(5,396,512)**	(4,357,162)
Loss per share		**Cents**	cents
Basic and diluted loss per share	5	**(5.16)**	(5.16)

The notes to the preliminary financial statements form part of this Statement of Profit or Loss and Other Comprehensive Income.

Statement of Financial Position

As at 30 June 2020

	Note	30 June 2020 $	30 June 2019 $
Current assets			
Cash and cash equivalents	7	**627,304**	573,977
Trade and other receivables	8	**294,122**	25,427
Prepayments	9	**294,568**	-
Inventories	10	**4,734**	4,761
Total current assets		**1,220,728**	604,165
Non-current assets			
Other financial assets	11	**37,500**	37,500
Right-of-use asset	12	**175,992**	-
Property, plant and equipment	13	**78,295**	56,083
Loans to related entities	22	**68,500**	482,201
Development asset at cost	14	**1,373,492**	1,451,148
Total non-current assets		**1,733,779**	2,026,932
Total assets		**2,954,507**	2,631,097
Current liabilities			
Trade and other payables	15	**785,939**	345,996
Employee leave liabilities	16	**312,463**	239,346
Interest bearing borrowings	17	**865,000**	1,496,959
Lease liabilities	18	**68,144**	-
Total current liabilities		**2,031,546**	2,082,301
Non-current liabilities			
Interest bearing borrowings	17	**322,331**	-
Lease liabilities	18	**138,124**	-
Total non-current liabilities		**460,455**	-
Total liabilities		**2,492,001**	2,082,301
Net Assets		**462,506**	548,796
Equity			
Issued capital	19	**24,355,213**	13,782,565
Reserves		**4,576,829**	9,929,789
Accumulated losses		**(28,469,536)**	(23,163,558)
Total Equity		**462,506**	548,796

The notes to the preliminary financial statements form part of this Statement of Financial Position.

Statement of Changes in Equity

For the financial year ended 30 June 2020

	Issued capital $	Accumulated losses $	Equity compensation reserve $	Convertible note reserve $	Total $
At 1 July 2018	7,212,356	(18,806,396)	12,262,363	27,633	695,956
Net loss for the year	-	(4,357,162)	-	-	(4,357,162)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the year	-	(4,357,162)	-	-	(4,357,162)
Capital raising	3,200,000	-	-	-	3,200,000
Costs of capital raising	(231,541)	-	-	-	(231,541)
Exercise of Performance Rights	3,261,750	-	(3,261,750)	-	-
Share-based payments					
Suppliers	-	-	34,741	-	34,741
Directors	340,000	-	-	-	340,000
Employees	-	-	866,802	-	866,802
At 30 June 2019	13,782,565	(23,163,558)	9,902,156	27,633	548,796

	Issued capital $	**Accumulated losses $**	**Equity compensation reserve $**	**Convertible note reserve $**	**Total $**
At 1 July 2019	**13,782,565**	**(23,163,558)**	**9,902,156**	**27,633**	**548,796**
Net loss for the year	**-**	**(5,396,512)**	**-**	**-**	**(5,396,512)**
Other comprehensive income					
Total comprehensive loss for the year	**-**	**(5,396,512)**	**-**	**-**	**(5,396,512)**
Capital raising	**2,000,000**	**-**	**-**	**-**	**2,000,000**
Costs of capital raising	**(123,000)**	**-**	**-**	**-**	**(123,000)**
Performance Rights and Options exercised	**6,262,369**	**-**	**(6,166,243)**	**-**	**96,126**
Options expired		**90,534**	**(90,534)**	**-**	**-**
Performance shares expired	**(300)**	**-**	**-**	**-**	**(300)**
Conversion of convertible notes	**1,337,079**	**-**	**-**	**(27,633)**	**1,309,446**
Share-based payments					
Suppliers	**556,500**	**-**	**396,919**	**-**	**953,419**
Directors	**540,000**	**-**	**-**	**-**	**540,000**
Employees	**-**	**-**	**534,531**	**-**	**534,531**
At 30 June 2020	**24,355,213**	**(28,469,536)**	**4,576,829**	**-**	**462,506**

The notes to the preliminary financial statements form part of this Statement of Changes in Equity.

Notes to the Preliminary Financial Statements
For the financial year ended 30 June 2020

	Note	**Year Ended 30 June 2020 $**	Year Ended 30 June 2019 $
Cash flows from operating activities			
Receipts from customers		**153,291**	579,876
Other income		**663,624**	51,553
Research & Development tax incentive and EDMG grant		**666,218**	598,699
Interest received		**14**	-
Interest and other costs of finance paid		**(53,472)**	(20,559)
Payments to suppliers and employees		**(4,126,939)**	(4,468,370)
Net cash flows used in operating activities	7	**(2,697,264)**	(3,258,801)
Cash flows from investing activities			
Payments for property, plant and equipment		**(62,372)**	(43,565)
Payments for application development costs		**(103,810)**	(48,633)
Loans to related party		**81,500**	(150,000)
Payments for investments		**-**	-
Net cash flows used in investing activities		**(84,682)**	(242,198)
Cash flows from financing activities			
Proceeds from borrowings		**1,612,331**	1,350,000
Repayment of borrowings		**(698,000)**	(450,000)
Repayment of lease liabilities	18	**(4,923)**	-
Proceeds from the issue of shares		**2,050,000**	3,200,000
Payments for share issue costs		**(123,000)**	(196,800)
Net cash flows from financing activities		**2,836,408**	3,903,200
Net decrease in cash assets		**54,462**	402,201
Cash at the beginning of the financial year		**573,977**	171,776
Cash at the end of the financial year	**7**	**628,439**	573,977
Unrealised foreign currency losses		(1,135)	-
Cash at the bank as per the balance sheet		**627,304**	573,977

The notes to the preliminary financial statements form part of this Statement of Cash Flows.

Note 1 Summary of Significant Accounting Policies

(a) Basis of preparation of financial report

These financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the Corporations Act 2001 and comply with other requirements of the law.

The Company is a for profit entity. A wholly owned subsidiary, MyFiziq Inc. was incorporated in January 2018 in the United States of America in preparation for the commercialisation of the technology in the USA. The subsidiary was inactive during the period, and as a result, consolidated financial statements have not been prepared.

The accounting policies below have been consistently applied to all of the periods presented unless otherwise stated.

The financial statements have been prepared on a historical cost basis, except for available for sale investments and derivative financial instruments which have been measured at fair value. Cost is based on the fair values of consideration given in exchange for assets.

The financial statements are presented in Australian dollars.

(i) <u>Going Concern</u>

These financial statements have been prepared on the going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

For the year ended 30 June 2020, the Company incurred an operating loss of $5,396,512. Notwithstanding the fact that the Company incurred an operating loss and a net cash outflow from operating activities amounting to $2,697,265, the Directors are of the opinion that the Company is a going concern for the following reasons:

- MyFiziq is transitioning to "growth" phase and commercialising operations, courtesy of the twelve binding term sheets that it has executed with partners across its five business verticals, Each partner is expected to launch the MyFiziq technology (which becomes embedded in the partner's app) and this is anticipated to generate significant revenue and bring the Company to breakeven point within the next 6 to 12 months.
- Following the execution of a formal funding agreement for USD$1.5 million with Asia cornerstone Asset Management (ACAM) on 1 June 2020, the Company had accumulated over $1.8 million in cash facilities by the end of June 2020 and had cash at bank of $627,127. Under the terms of the agreement, USD$1,125,000 had been received by 21 August 2020 and a further USD375,000 is expected to be paid by the end of September 2020.
- Additionally, at the reporting date the Company was already in an advanced stage of raising a further USD$1.5 million (over and above the USD$1.5 million secured with ACAM) as part of its expansion into the US and listing on the NASDAQ Capital Market.
- COVID-19 has not had any material adverse financial effects on the Company, as announced on the ASX platform on 30 March 2020 and 29 June 2020. Furthermore, as announced to the ASX platform on 30 June 2020, the Company had made significant progress over the period 1 March 2020 to 30 June 2020 ("COVID period") and had experienced an increase in demand for its technology, driven by global health concerns. In addition, the Company has managed to strengthen its balance sheet over the COVID period as follows:
  - (i) By securing the ACAM funding of USD1,500,000 of which USD1,125,000 had already been received by 6 August 2020.
  - (ii) By reducing convertible note debt in the amount of $1,387,078 by way of share conversion. By reducing cash burn (operating overheads) by 49% over the COVID-19 period, and with the ability to defer a minimum of $3.34 million in planned spending if required to do so.
  - (iii) By receiving over $1,063,624 in collectables from its JV partner, Body Composition Technologies Pty Ltd, from 1 April 2020 to 6 August 2020, for work carried out on partner builds and integrations, as well as license fees owing.

Note 1 Summary of Significant Accounting Policies (continued)

(a) Basis of preparation of financial report (continued)

(i) Going Concern (continued)

- The Company successfully executed a $600,000 research and development ("R & D") advance with R&D Capital Partners Pty Ltd for an R & D tax incentive payment that is expected to be received in relation to the 2020 financial year (2019: $666,218).

(ii) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian Equivalents to International Financial Reporting Standards (AIFRS), in their entirety. Compliance with AIFRS ensures that the financial report also complies with International Financial Reporting Standards (IFRS) in their entirety.

Material accounting policies adopted in the presentation of these financial statements are presented below.

(iii) New Accounting Standards adopted in the current year

Application of New and Revised Accounting Standards

The Company has adopted all the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted by the Company for the reporting year ended 30 June 2020.

The following Accounting Standards and interpretations are most relevant to the Company:

AASB 16 Leases

AASB 16 Leases supersedes AASB 117 Leases. The new standard removes the former distinction between 'operating and 'finance' leases and requires recognition of a right-of-use asset (the leased item) and a financial liability (to pay rentals) on the Statement of Financial Position. The exceptions are short-term leases and leases of low value assets.

The Company leases its office premises which, prior to the application of AASB 16, was treated as an operating lease and payments made were charged to profit or loss on a straight-line basis over the period of the lease. For the first half of the reporting period, the office lease was renewed on a monthly basis and as such, the Company has applied the optional exemptions to not capitalise this lease and instead account for the lease expense on a straight-line basis over the lease term. An amount of $45,390 has been expensed in relation to the short-term lease for the 6 months ending 31 December 2019.

On 1 January 2020, the Company entered a 3-year lease for office premises which is accounted for under AASB 16. The Company has recognised a right-of-use asset and a corresponding liability at the commencement date. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period to produce a consistent period rate of interest on the remaining balance of the liability for each period. Right-of-use assets are depreciated on a straight-line basis over the term of the lease (or the useful life of the leased asset if this is shorter). Depreciation starts on commencement date of the lease. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments is separately disclosed in financing activities.

New accounting policies adopted for the first time during this reporting period in relation to operating leases are disclosed in notes 1(l) and 1(o). Further information on the Right of use Asset and the Lease liability can be found in notes 11 and 18, respectively.

New Accounting Standards and Interpretations Not Yet Mandatory or Early Adopted

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application date for future reporting periods.

There are no material new or amended Accounting Standards which will materially affect the Company.

Note 1 Summary of Significant Accounting Policies (continued)

(b) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

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

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of profit or loss and other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Note 1 Summary of Significant Accounting Policies (continued)

(c) Goods and services tax

Revenues, expenses, and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities that are recoverable from or payable to the ATO are classified as operating cash flows.

(d) Impairment of tangible and intangible assets other than goodwill

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset’s value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimate used to determine the assets recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in previous years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such reversal, the depreciation charge is adjusted in future periods to allocate the assets revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(e) Impairment of financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

Note 1 Summary of Significant Accounting Policies (continued)

(f) Intangible assets

An intangible asset arising from externally acquired intellectual property and development expenditure on an internal project is recognised only when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

The amortisation method and useful life of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

The following useful life is used in the calculation of amortisation:

Development asset at cost	10 years

(g) Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable and is recognised when performance obligations under customer contracts are satisfied.

1. Revenue from customers

The Company's primary revenue stream is software development kits offered to customers and charged on a per user or per body scan basis.

The Company also has secondary revenue streams including:

- Integration fees
- Licence fees
- Other application development and support fees

i) Identification of distinct elements and separate performance obligations

<u>Primary revenue streams</u>

Revenue is generated from the usage of MyFiziq's software development kits which have been integrated into a customer's platform. Most contracts will be structured on a monthly recurring basis and have a minimum term of 1 year.

- **Per user -** Revenue is charged per user, where per user price reduces based on the volume of users.
- **Per body scan -** The customer is charged when an image is captured.

<u>Secondary revenue streams</u>

These services can be provided at any point in time over the life of the contract and are usually a one off, or a series of one-off events.

Note 1 Summary of Significant Accounting Policies (continued)

(g) Revenue and other income (continued)

ii. Revenue recognition under AASB 15

Revenue Stream	Performance Obligation	Timing of Recognition
Software development kits - per user	Integration of the MyFiziq software development kits into the customer's platform	Over the life of the contract as the customer simultaneously receives and consumes the benefits of accessing the software
Software development kits - per body scan	Integration of the MyFiziq software development kits into the customer's platform, a performance obligation is triggered each time an image is captured by the user	Recognised over time, but because time delivered is minimal, point in time recognition has been applied
Secondary revenue streams	As defined in the contract either at the start of the service, or as requested by the customer over the life of the contract	Recognised over time, but because time delivered is minimal, point in time recognition has been applied

2. Other income

Revenue recognised in any period is based on the delivery of performance obligations and an assessment of when control is transferred to the customer. Revenue is recognised either when the performance obligation has been performed, or over time as control of the performance obligation is transferred to the customer.

3. Interest received

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be reliably measured.

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

(h) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(i) Trade and other receivables

Trade receivables, which generally have 30–90-day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

(j) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

Note 1 Summary of Significant Accounting Policies (continued)

(k) Property, Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. The carrying amount of plant and equipment is reviewed annually to ensure it is not more than the recoverable amount from these assets.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Class of Asset	Useful Life
Office Equipment	3 – 5 years
Furniture & Fixtures	5 – 7 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(l) Right-of-use Assets

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

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

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

(m) Investments in equity-accounted investees

The Company’s interest in equity-accounted investees comprise an interest in a joint venture. A joint venture is an arrangement in which the Company has joint control, whereby the Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in the joint venture are accounted for using the equity method. The interest is initially recognised at cost, which includes transaction costs. After initial recognition, the financial statements include the Company’s share of the profit or loss of equity-accounted investees, until the date on which joint control ceases.

(n) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Company prior to the end of the financial period that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

Note 1 Summary of Significant Accounting Policies (continued)

(o) Lease liabilities

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

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

(p) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Performance shares are classified as equity and are convertible into fully paid ordinary shares of the Company on successful achievement of certain predetermined key performance indicators.

(q) Share-based Payments

Equity Settled Transactions:

The Company provides benefits to employees (including senior executives) of the Company in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of Options is determined by using an appropriate valuation model. Share rights are valued at the underlying market value of the ordinary shares over which they are granted.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the underlying Shares (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

(i) the extent to which the vesting period has expired; and

(ii) the Company's best estimate of the number of equity instruments that will ultimately vest.

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

Note 1 Summary of Significant Accounting Policies (continued)

(q) Share-based Payments (continued)

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, the cumulative expense recognised in respect of that award is transferred from its respective reserve to accumulated losses. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled award and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

(r) Critical accounting estimates and judgements

The preparation of financial reports requires management to make judgements, 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.

Estimation of useful life of assets

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

Capitalisation of internally developed software

Distinguishing the research and development phases of a new customised software project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired. Management is required to make judgements, estimates and assumptions for the Net Present Value model which supports the carrying value of the software, its useful life, and its amortisation rate.

Share-based Payments

The Company measures the cost of cash-settled share-based payments at fair value using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted, as well as estimates made by management.

Determination of lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease term is reassessed if an option is exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Note 1 Summary of Significant Accounting Policies (continued)

(r) Critical accounting estimates and judgements (continued)

Determination of incremental borrowing rate

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, an estimate of the Company's incremental borrowing rate is used.

To determine the incremental borrowing rate, where possible recent third-party financing received is used as a starting point and adjusted to reflect changes in financing conditions since third party financing was received. If there was no recent third-party financing agreement, a build-up approach is used that starts with a risk-free interest rate adjusted for credit risk for the lessee and any further relevant adjustments specific to the lease.

Note 2 Segment Information

Currently, the Company's sole activity is mobile application and technology development wholly within Australia, therefore it has aggregated all operating segments into the one reportable segment being technological development.

Note 3 Revenue and Expenses

	2020 $	2019 $
Loss for the period includes the following specific income and expenses:		
Income:		
Dr Katherine consultancy income	**19,105**	31,595
Grant income	**80,000**	67,057
Proof of concept income	**-**	50,000
Joint venture income	**420,839**	743,614
Other income	**7,349**	1,554
	527,293	893,820
Supplier share-based payment [1,2]	**953,419**	34,741
Employee expenses:		
Salaries and wages	**2,489,955**	2,116,740
Defined contribution superannuation	**236,502**	200,754
Share-based payments expense [2]	**1,120,357**	1,206,802
Employment taxes and insurances	**99,294**	177,934
Other employment expenses	**97,324**	121,655
Government assistance	**(144,000)**	-
	3,899,432	3,823,885

[1] Options issued to suppliers under corporate advisory and investor relations consultancy agreements.

[2] The fair value of equity settled transactions with employees, directors and suppliers is apportioned over the period from grant date to vesting date.

	2020 $	2019 $

Note 4 Income Tax

	2020 $	2019 $
Income tax benefit		
R&D tax concession	**666,218**	531,642

The R&D tax concession recognised in a financial year relates to the R&D tax incentive claim submitted by the Company for the previous financial year.

Note 5 Loss per Share

	2020	2019
a) Basic loss per share		
Loss attributable to ordinary equity holders of the Company (cents)	**(5.16)**	(5.16)
b) Diluted loss per share		
Loss attributable to ordinary equity holders of the Company (cents)	**(5.16)**	(5.16)
c) Loss used in calculation of basic and diluted loss per share		
	$	$
Loss after tax from continuing operations	**(5,396,512)**	(4,357,162)
d) Weighted average number of shares used as the denominator		
	No.	No.
Weighted average number of shares used as the denominator in calculating basic and dilutive loss per share	**104,619,383**	84,454,765

Note 6 Dividends

No dividends were paid or proposed during the financial years ended 30 June 2020 and 30 June 2019.

The Company has no franking credits available as at 30 June 2020 and 2019.

Note 7 Cash and Cash Equivalents

	2020 $	2019 $
Cash at bank[1]	**627,304**	573,977

[1] Cash at bank earns interest at floating rates based on daily deposit rates.

	2020 $	2019 $

Note 7 Cash and Cash Equivalents (continued)

Reconciliation to the Statement of Cash Flows:

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise cash on hand and at bank and investments in money market instruments, net of any outstanding bank overdrafts.

Cash and cash equivalents as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2020 $	2019 $
Cash and cash equivalents	**627,304**	573,977

Non-cash financing and investing activities:

There were no non-cash financing or investing activities during the years ended 30 June 2020 and 30 June 2019.

Cash balances not available for use:

There are no amounts included in cash and cash equivalents not available for use as at 30 June 2020 (30 June 2019: Nil).

Note 8 Trade and Other Receivables

Current assets

	2020 $	2019 $
Trade receivables	**209,979**	5,109
Accrued income	**78,000**	-
GST receivable	**6,143**	20,318
	294,122	25,427

Note 9 Prepayments

Current assets

	2020 $	2019 $
Prepaid IPO costs	**190,397**	-
Prepaid insurance	**91,438**	-
Other prepayments	**12,733**	-
	294,568	-

Note 10 Inventories

Current assets

	2020 $	2019 $
Finished goods - at cost	**4,734**	4,761

	2020 $	2019 $

Note 11 Other Financial Assets

Non-current assets

Security Bonds and Deposits:

	2020 $	2019 $
Balance at the start of the financial year	**37,500**	37,500
Security deposits (refunded)/paid during the financial year	**-**	-
Balance at the end of the financial year	**37,500**	37,500

A security deposit of $37,500 is in place in respect of the lease on the Company's offices. Refer Note 20.

Note 12 Right of Use Assets

Non-current assets

	2020 $	2019 $
Balance at the start of the financial year	**-**	-
Additions - new operating leases	**211,191**	
Amortisation expense	**(35,199)**	-
Balance at the end of the financial year	**175,992**	-

The Company leases land and buildings for its offices in Perth, Australia under an agreement with a 3-year term. Refer Note 18.

Note 13 Property, Plant and Equipment

	2020 $	2019 $
<u>Carrying values</u>		
Office Equipment:		
Cost	**123,963**	114,096
Depreciation	**(89,144)**	(61,648)
	34,819	52,448
Fixtures and fittings:		
Cost	**13,524**	13,524
Depreciation	**(12,594)**	(9,889)
	930	3,635
Leasehold improvements		
Cost	**51,055**	-
Depreciation	**(8,509)**	-
	42,546	-
	78,295	56,083

	2020 $	2019 $

Note 13 Property, Plant and Equipment (continued)

Reconciliation of movements

	2020	2019
Office Equipment:		
Opening net book value	**52,448**	33,594
Additions	**9,867**	43,983
Depreciation	**(27,496)**	(25,129)
Closing net book value	**34,819**	52,448
Fixtures and fittings:		
Opening net book value	**3,635**	6,340
Additions	**-**	-
Depreciation	**(2,705)**	(2,705)
Closing net book value	**930**	3,635
Leasehold improvements		
Opening net book value	**-**	-
Additions	**51,055**	-
Depreciation	**(8,509)**	-
Closing net book value	**42,546**	-
	78,295	56,083

No assets included in property, plant and equipment have been pledged as security in respect of liabilities.

Note 14 Development Asset

	2020	2019
Balance at the start of the financial year	**1,451,248**	1,560,388
Application development costs incurred during the year	**93,980**	62,496
Amortisation	**(171,736)**	(171,736)
Balance at the end of the financial year	**1,373,492**	1,451,148

The recoupment of costs carried forward in relation to intangible assets is dependent upon the successful development or commercial exploitation or sale of the application technology.

	2020	2019
	$	$

Note 15 Trade and other payables

Current liabilities

Trade payables and other payables	**343,603**	101,057
Accrued expenses	**128,763**	51,491
Employment related payables	**313,573**	193,448
	785,939	345,996

Trade payables are non-interest bearing and normally settled on 30-day terms.

Note 16 Employee leave liabilities

Current liabilities

Annual leave liability	**312,463**	239,346

Note 17 Interest bearing borrowings

Current		
Convertible notes-Prosser Facility [1]	**-**	539,042
Convertible notes-2018 Facility [2]	**75,000**	957,917
Total convertible notes [3]	**75,000**	1,496,959
R&D tax prepayment loan [4]	**600,000**	-
Other loans [5]	**190,000**	-
	865,000	1,496,959
Non-current		
Convertible notes-ACAM [6]	**322,331**	-

[1] Convertible Note agreement with Prosser Enterprises Pty Ltd as Trustee for the Prosser Family Trust. Company director Mr Nicholas Prosser is a director and shareholder of Prosser Enterprises Pty Ltd.The maximum facility limit is $2 million and attracts interest at 8% per annum. Drawdowns against this facility of $500,000 and accrued and unpaid interest at 30 June 2020 of $28,436 (2019: $58,125) were converted to shares on 30 June 2020 at a price of 30 cents per share.

[2] Convertible Note facility entered into with a number of professional investors who are not related parties of the Company. The notes attract interest at 8% per annum. The investors may elect to redeem the outstanding principal amount of the notes in cash on the Maturity Date, rather than convert to shares. If the investors don't elect to redeem the outstanding principal amount in cash, the outstanding principal amount of the notes will be converted into shares at an issue price equal to the greater of $0.30 per share or a 30% discount to the volume weighted average price of the Company's shares as traded on ASX for the period of 14 trading days up to and including the trading day prior to the conversion. At 30 June 2020, a total of $825,000 principal and accrued interest were converted to shares at a price of 30 cents per share.

Note 17 Interest bearing borrowings (continued)

[3] The carrying value of the convertible note as at 30 June 2020, based on a discount rate of 12%, is calculated as follows:

	2020 $	2019 $
Balance at the start of the financial year	**1,496,959**	480,915
Proceeds from drawdown	**-**	900,000
Amount classified as equity	**27,633**	-
Interest accrued	**85,487**	116,044
Principal and Interest repayments	**(198,000)**	-
Converted to equity at $0.30 per share	**(1,337,079)**	-
Balance at the end of the financial year	**75,000**	1,496,959

[4] On 29 May 2020, the Company received a $600,000 R&D tax prepayment loan from R&D Capital Partners Pty Ltd: The loan attracts interest at a rate of 1.15% per month and is due to be repaid on the earlier of the date the Company receives it 2020 tax refund from the Australian Taxation Office or 31 October 2020. The loan is secured by a lien on the Company's 2020 R&D tax refund.

[5] Other loans are unsecured and interest bearing. These loans were repaid in full subsequent to the end of the financial year.

[6] The Company entered into a funding agreement for US$1,500,000 with Asia Cornerstone Asset Management (ACAM) by way of an unsecured convertible note which attracts interest at 10% per annum. The funds received will enable the Company to seek a dual listing of the Company's securities on the NASDAQ Capital Market and for general working capital purposes. The funding will be received in 4 tranches, with the first tranche of US$225,000 being received in the financial year. The convertible note has a mandatory conversion upon successful NASDAQ listing. On conversion, ACAM will be issued shares in the NASDAQ listed company at the greater of US$1.00 and a 25% discount to the price at which the Company issues shares in conjunction with the listing. In the event that the Company is not successful in attaining a listing on the NASDAQ on or prior to 30 June 2021, the Company will have an additional 6 months to repay the convertible note.

Note 18 Lease liabilities

	2020 $	2019 $
Current liability	**68,144**	-
Non-current liability	**138,124**	-
Balance at the end of the financial year	**206,268**	-

Reconciliation of lease liabilities

	2020 $	2019 $
Balance at the beginning of the financial year	**-**	-
Lease liability recognised - new operating lease [1]	**211,191**	
Repayment of lease liability	**(4,923)**	-
Balance at the end of the financial year	**206,268**	-

Note 18 Lease liabilities (continued)

[1] The Company entered into a 3-year lease agreement for office premises in Perth, Australia. Total payments under the lease amounting to $299,129 were discounted at the Company's incremental borrowing rate of 10% in order to determine the initial lease liability of $211,191. To determine the incremental borrowing rate, recent third-party financing received was used as a starting point and adjusted to reflect changes in financing conditions since the third-party financing was received.

During the financial year, $21,119 interest on the lease was expensed as financing costs.

Note 19 Issued Capital and Reserves

a) Ordinary shares
The Company is a public company limited by shares, incorporated in Perth, Western Australia. The Company's shares are limited whereby the liability of its members is limited to the amount (if any) unpaid on the shares respectively held by them.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value. There is no limit to the authorised share capital of the Company. There are no externally exposed capital requirements.

	2020 No.	2019 No.	**2020 $**	2019 $
b) Share capital				
Issued capital-ordinary shares	**114,392,923**	91,621,888	**24,355,213**	13,782,265
Issued capital-performance shares	**-**	30,000,000	**-**	300
Issued share capital	**114,392,923**	121,621,888	**24,355,213**	13,782,565
c) Share movements during the year – ordinary shares				
At the start of the financial year	**91,621,888**	79,038,555	**13,782,265**	7,212,056
Shares issued on exercise of Performance Rights	**9,550,000**	6,250,000	**6,055,875**	3,261,750
Shares issued on exercise of Options	**730,769**	-	**206,494**	-
Shares issued to related party	**2,000,000**	1,000,000	**540,000**	340,000
Share based payments	**2,700,000**	-	**556,500**	-
Share issues - capital raising	**3,333,334**	5,333,333	**2,000,000**	3,200,000
Shares issues – conversion of convertible notes	**4,456,932**	-	**1,337,079**	-
Less share issue costs	**-**	-	**(123,000)**	(231,541)
	114,392,923	91,621,888	**24,355,213**	13,782,265
d) Share movements during the year – performance shares				
At the start of the financial year	**30,000,000**	30,000,000	**300**	300
Less expired shares [1]	**(30,000,000)**	-	**(300)**	-
	-	30,000,000	**-**	300

Note 19 Issued Capital and Reserves (continued)

[1] Performance Shares (15,000,000 Class A Performance Shares and 15,000,000 Class B Performance Shares) were cancelled due to performance milestones not being met within the stipulated timeframe.

Note 20 Commitments

a) Operating lease commitments:

The Company's lease for its principal place of business at Unit 5, 71-73 South Perth Esplanade in Western Australia (**Lease**) expired on 30.6.2019. The office premises were leased on a month by month basis until a new lease was entered into on 1 January 2020. The new lease is accounted for under new accounting standard AASB 16 Leases. Refer to notes 12 and 18.

The Lease was secured by a cash bond in favour of the Landlord for $37,500 and this amount is being held and will be applied as bond for the new lease.

b) Finance lease commitments:

The Company has no finance lease commitments contracted for as at 30 June 2020 (30 June 2019: Nil).

c) Capital commitments

The Company has no capital commitments contracted for as at 30 June 2020 (30 June 2019: Nil):

d) Other commitments

The Company has entered into an agreement with Lucosky Brookman for the provision of US$200,000 legal services in relation to the listing of the Company on the NASDAQ Capital Market.

Note 21 Contingencies

a) Contingent liabilities

There are no material contingent liabilities at the reporting date.

b) Contingent assets

There are no material contingent assets at the reporting date.

Note 22 Related Party Disclosures

a) Subsidiaries

In January 2018, wholly owned subsidiary MyFiziq Inc. was incorporated in the United States of America in preparation for the commercialisation of the technology in the USA. During the financial year there was no activity in this subsidiary.

b) Holding company

The ultimate holding company is MyFiziq Limited.

Note 22 Related Party Disclosures (continued)

c) Joint agreement in which the Company is a joint venture

The Company has a 50% interest in Body Composition Technologies Pte. Limited (BCT), a company incorporated in Singapore for the purpose of developing the MyFiziq platform for commercialisation within the medical or insurance sector.

During 2020, the Company provided services to Body Composition Technologies Pty Ltd ("BCT Australia" an Australian incorporated wholly owned subsidiary of BCT) for which the Company earned revenue of $420,839 (2019: $743,614)

During the previous financial year, the Company entered into a loan agreement with BCT Australia. The loan is interest free and payable by 30 June 2021; or within 30 days of BCT receiving cash from capital raise activities currently under way, whichever occurs sooner. At 30 June 2020, the balance of the loan was $68,500.

d) Transactions with Directors

Directors were remunerated during the year for their services in accordance with their service contracts. Other transactions with directors are listed below.

During the financial year ended 30 June 2020, the Company paid $26,156 (2019: $10,676) to Steinepreis Paganin, an entity associated with Mr Peter Wall, for legal services. At 30 June 2020, a further $10,622 was owing to Steinepreis Paganin (2019: nil).

The Company entered a $2,000,000 Convertible Loan facility with a company related to director Mr Nicholas Prosser. A drawdown of, $500,000 had been made against this facility, with total unpaid interest owing of $28,436. The balance of principal and interest owing was converted to shares in June 2020 at an issue price of $0.30 per share. Refer to Note 17.

In January 2020, the Company received an unsecured short-term loan of $250,000 from Pheakes Pty Ltd, a company associated with director Mr Peter Wall. The loan attracted interest at a rate of 10% per annum. A further loan of $250,000 with similar terms was received in February 2020. The loan and accrued interest was repaid in full in June 2020.

Note 23 Interest in a Joint Venture

The Company has a 50% interest in Body Composition Technologies Pte Limited (BCT). The Company's interest in BCT is accounted for using the equity method. Under the equity method, the Company's investment in a joint venture is initially recorded at cost, and subsequently the carrying value of the investment is increased or decreased to recognise the Company's share of the joint venture profit or loss.

The Company was issued 680 shares in BCT at a value of A$1.00 per share.

Note 23 Interest in a Joint Venture (continued)

The following tables illustrate the summarised financial information of the Company's investment in BCT.

	30 June 2020 $	30 June 2019 $
Carrying value of the BCT investment		
Investment brought to account at cost	**680**	680
Share of the joint venture's loss (i)	**(680)**	(680)
Closing carrying value of the investment	**-**	-

(i) As the investment in the joint venture has been written down to nil, no share of the joint venture's loss has been brought to account in the Company's loss from ordinary activities for the current financial period.

Note 24 Events Subsequent to the Reporting Date

On 9 July 2020, the Company received its third payment under the convertible note subscription deed concluded with Asia Cornerstone Asset Management on 1 June 2020, in the amount of USD$450,000, as well as $382,139 from its joint venture partner, Body Composition Technologies Pty Ltd.

On 20 July 2020, the Company announced that it would be participating in a convertible note in its joint venture with Body Composition Technologies Pte Ltd in the amount of $670,833 which would increase its stake to 54.5% on conversion.

On 22 July 2020, the Company received $250,000 in payments from Body Composition Technologies Pte Ltd for work carried out on partner builds and integrations as well as a license fee instalment of $200,000. Furthermore, MyFiziq concluded its uptake of the $670,833 of convertible notes (refer above).

On 24 August 2020, the MyFiziq-Bearn Application ("Bearn App") went live on the Google Play and Apple App Stores (refer to the announcement on the ASX platform on 24 August 2020).