

Tikforce Limited

(Formerly Palace Resources Limited)

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2016

ABN: 74 106 240 475

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TIKFORCE LIMITED
CORPORATE DIRECTORY

For the year ended 30 June 2016

Corporate Directory

Directors

Peter Woods OAM	Non-Executive Chairman
Ian Murie	Non-Executive Director
Roland Berzins	Non-Executive Director

Company Secretary

Roland Berzins

Registered Office and Principal Place of Business

Tikforce Limited – formerly called Palace Resources Ltd

ABN 74 106 240 475
ACN 106 240 475
Suite 7A – 435 Roberts Rd
Subiaco, Western Australia, 6008
Telephone: 1800 732 543
Facsimile: 08 9429 1011
Website: www.tikforce.com

Solicitors

DLA Piper Australia	K&L Gates
Level 31, Central Park	Level 32,
152-158 St Georges Terrace Perth WA 6000	44 St Georges Terrace Perth WA 6000, Australia

Share Registry

Advanced Share Registry Ltd
150 Stirling Highway
Nedlands, WA 6009
Telephone: 08 9389 8033
Facsimile: 08 9389 7871

Auditors

Greenwich and Co Audit Pty Ltd
Level 2
35 Outram St
West Perth, WA 6005

Stock exchange listing

Tikforce Limited shares are listed on the Australian Securities Exchange	ASX code	FPO	TKF
		Options	TKFOB

Directors' Report

Your directors submit the financial report of the consolidated group for the year ended 30 June 2016.

Directors:

The names of directors who held office during the year and up to the date of this report:

Peter Woods OAM	Non-Executive Chairman
Ian Murie	Non-Executive Director
Roland Berzins	Non-Executive Director

Principal Activity:

The principal activity of the Tikforce Limited during the year has been the acquisition and operation of individual identification application developer Misto Pty Ltd and its subsidiary Tikforce Operations Pty Ltd. In addition, the Company acquired Min – Trak Pty Ltd. These transactions were finalised effective 12 April 2016.

The Company had agreed to acquire Misto subject to, amongst other conditions, Misto completing its 100% acquisition of TikForce.

TikForce owns or licences certain software applications and IT systems which it uses to offer the TikForce Platform to support the changing labour market and business environment.

The TikForce Platform enables employers, or other organisations seeking to engage workers, the ability to confirm the identity of those workers, and review their credentials and qualifications, thereby facilitating compliance for both workers and organisations seeking to engage those workers. It provides employers or other organisations with easy access to available work candidate profiles which have been uploaded onto the TikForce Platform, and gives workers the ability to increase personal control of when they work, who they work for, and from where.

Min-Trak owns an asset management software platform known as the Min-Trak Solution. It can be utilised to track assets and people via mobile or satellite networks, provides driver and journey data via an in vehicle monitoring system, track loads and send alerts for unwanted events or deviations, all with real time reporting. The Company intends to incorporate the Min-Trak Solution into the TikForce Platform by integrating the asset tracking and satellite technologies to provide a comprehensive human resources tracking and management product on the TikForce Platform known as "TikTraks".

Operating Results:

The operating loss after income tax of the consolidated group for the year ended 30 June 2016 was \$4,423,972 (30 June 2015: Profit - \$17,693).

Review of Operations:

On 14th July 2014, the Company announced that it had executed a Heads of Agreement with Tikforce Operations Pty Ltd.

Tikforce Operations Pty Ltd continued to develop a platform that operates on the internet, mobile phone and tablets and whose function is to track jobs and tasks allocated to just – in –time workers, contractors and employees that are working on site or who are mobile. The Tikforce platform allows team controllers to allocate work to existing team members or contractors and to post the work to the work pool. Workers' can then make themselves available for defined types of work, at specific times and locations. Controllers can ask workers to apply for a job or simply allocated the jobs to workers within the work pool and receive confirmation as to their acceptance.

TIKFORCE LIMITED
DIRECTORS' REPORT (cont.)

For the year ended 30 June 2016

In settlement of outstanding fees for directors fees and consulting fees, the Company issued 719,377 FPO at an issue price of \$0.10 each.

As part of the Acquisition the Company has:

- i. Undertaken a consolidations of its issued capital, on a 1:100 basis;
- ii. Completed a public offer, with the issue of 45,231,813 FPO in which it raised \$4,523,181 (before cost);
- iii. Issued a further 30,000,000 FPO (at \$0.10 each) as consideration to the vendors of Misto;
- iv. Issued a further 9,000,000 FPO (at \$0.10 each) as consideration to the vendors of Min Trak;
- v. Issued 1,806,522 FPO (at \$0.10 each) to creditors of the former Palace Resources in lieu of outstanding payments;
- vi. Issued 19,350,000 FPO (at \$0.10 each) to holders of converting notes of the former Palace Resources in lieu of outstanding converting notes;
- vii. Issued 450,000 FPO (at \$0.10 each) to creditors of the former Min Trak in lieu of outstanding loan repayments;
- viii. Issued a further 450,000 options (exercisable at \$0.11 each and expiring on 30 June 2018 after an issue price of \$0.0001 each) to creditors of the former Min Trak in lieu of outstanding loan repayments;
- ix. Issued a further 20,000,000 options (exercisable at \$0.11 each and expiring on 30 June 2018 after an issue price of \$0.0001 each) to Advisors in lieu of their corporate advice and lead managers role in the completion of the capital raising;
- x. Issued 41,000,000 performance shares to vendors of Misto and Min Trak, whereby if certain milestones are achieved, each performance share will convert into one fully paid ordinary share in the Company. Terms and conditions associated with the Performance shares are details in Section 9(e) in the Notes to the Financial Statements;
- xi. re-complied with Chapters 1 and 2 of the Listing Rules because the acquisition changed the nature and scale of the Company's business; and
- xii. changed its name to Tikforce Limited.

The acquisition, the change of name, the consolidation of capital and various other matters were approved by shareholders at meetings held in August 2015, and subsequently the Company lodged its prospectus with the ASIC. The offer was oversubscribed and the transaction was effectively completed by the end of March 2016.

The nature of the transaction has been determined to be a reverse acquisition, an explanation of which is contained in the Significant Accounting Policies note to this report.

More information can be found in the Company's various ASX announcements, including the notices of meeting and explanatory memoranda for the shareholder meetings held in February and March 2015, and the Company's prospectus.

Financial position

The net assets of the consolidated group have increased by \$3,232,750 from 30 June 2015 to \$3,250,503 as at 30 June 2016. This increase was largely due to the following factors:

- Proceeds from share and options issue, including Converting notes; and
- Acquisition of assets TikForce Operations Pty Ltd and Min – Trak Pty Ltd.

The consolidated group's strong financial position has enabled the group to repay borrowings, creditors and loans by \$2,364,933 whilst maintaining a healthy working capital ratio, in excess of 2.

TIKFORCE LIMITED
DIRECTORS' REPORT (cont.)

For the year ended 30 June 2016

The directors believe the consolidated entity is in a stable financial position and able to expand and grow its current operation.

Capital Structure and Performance Shares

Following the completion of the acquisition and capital raising and other offer proposals as outlined in the Prospectus (dated 1 October 2015) and Supplementary Prospectus (dated 4 January 2016), the capital structure of the Company is detailed below:

Capital structure	Number of securities on issue
SHARES	
Shares on issue following consolidation – 16 August 2015	11,927,979
Issue of Shares under the Vendor Offers as consideration of the Acquisition – (Misto / Tikforce 30,000,000 and Min- Trak 9,000,000)	39,000,000
Issue of Shares under the Public Offer	45,231,813
Issue of Shares under the Palace Resources Creditor Offer	1,806,522
Issue of Shares under the Min-Trak Creditor Offer	450,000
Issue of Shares under Converting Note Conversion Offer upon conversion of the Converting Notes	19,350,000
Conversion of Options to Fully paid Shares ,at an exercise price of \$0.20 each	1,250
TOTAL SHARES on Issue 30 JUNE 2016	117,767,564
OPTIONS	
Options on issue following consolidation – 16 August 2015	2,098,775
Options converted to Fully paid ordinary shares	(1,250)
Expiration of Options on 28 Feb 2016	(2,097,525)
Issue of Options under the Lead Managers' Offers	20,000,000
Issue of Min-Trak Options under the Min-Trak Creditor Offer	450,000
TOTAL OPTIONS	20,450,000

TIKFORCE LIMITED
DIRECTORS' REPORT (cont.)

For the year ended 30 June 2016

Following the successful acquisition of Tikforce Operations Pty Ltd and Min – Trak Pty Ltd, the Company has the following outstanding financial securities contingent obligation, being performance Shares, based on specific performance criteria.

PERFORMANCE SHARES	
Opening Performance Shares on issue	Nil
Issue of Performance Shares under the Vendor Offers	41,000,000
TOTAL PERFORMANCE SHARES	41,000,000

Each performance security, upon conversion, is equivalent to one Tikforce Ltd fully paid ordinary share. The number of performance share and the specific performance share obligation (milestones) are itemised below:

8,000,000 Class A Performance Shares - A Performance Share Milestone will be taken to have been satisfied upon the TikForce Platform achieving 10,000 paid users

12,000,000 Class B Performance Shares - B Performance Share Milestone will be taken to have been satisfied upon the TikForce Platform achieving 20,000 paid users.

16,000,000 Class C Performance Shares - C Performance Share Milestone will be taken to have been satisfied upon the TikForce Platform achieving 30,000 paid users

2,000,000 Class D Performance Shares - D Performance Share Milestone will be taken to have been satisfied upon Min-Trak's annualised gross revenue exceeding \$75,000 per quarter for 2 consecutive quarters.

2,000,000 Class E Performance Shares - E Performance Share Milestone will be taken to have been satisfied upon Min-Trak's annualised gross revenue exceeding \$375,000 per quarter for 2 consecutive quarters.

1,000,000 Class F Performance Shares - F Performance Share Milestone will be taken to have been satisfied upon Min-Trak's annualised gross revenue exceeding \$750,000 per quarter for 2 consecutive quarters.

Significant changes in the state of Affairs

Significant changes in the state of affairs of the group occurred during the financial year:

Pursuant to separate Securities Sale Agreements, the Company acquire 100% of the issued capital in 2 companies, being Misto (which owned TikForce Operations Pty Ltd pursuant to the TikForce Securities Sale Agreement) and Min-Trak Pty Ltd.

The TikForce Platform is available online, via TikForce mobile applications, or through the Company's API's, that allow developers or enterprises to add TikForce functions to their applications or systems.

TikForce owns or licences certain software applications and IT systems which it uses to offer the TikForce Platform to support the changing labour market and business environment.

The TikForce Platform enables employers or other organisations seeking to engage workers the ability to confirm the identity of those workers, and review their credentials and qualifications, thereby facilitating compliance for both workers and organisations seeking to engage those workers. It provides employers or other organisations with easy access to available work candidate profiles which have been uploaded onto the TikForce Platform, and gives workers the ability to increase personal control of when they work, who they work for, and from where.

Min-Trak owns an asset management software platform known as the Min-Trak Solution. It can be utilised to track assets and people via mobile or satellite networks, provides driver and journey data via an in vehicle monitoring system, track loads and send alerts for unwanted events or deviations, all with real time reporting.

Following Completion and reinstatement of the Company's Shares to quotation on the Official ASX List, the Company was renamed "TikForce Limited" and its primary focus will be to develop the businesses of TikForce and Min-Trak in line with its business model.

TikForce's focus is to deliver products that offer:

- Access – easy-to-use applications that can be customised and integrated with existing systems;
- Facts - Confirmation of workers through identity checks and easy access to worker documentation & credentials – facilitating employer organisations to be quickly satisfied that employees or contractors within a workforce are who they say they are and are licensed and continually compliant; and
- Control – management of assets and workforces through tracking and task measurement.

TikForce's premier product is Tik.me, an online workforce marketplace for both employers and workers. Tik.me charges members to have proof of their identities confirmed and their qualifications and work documentation uploaded onto the TikForce Platform. Tik.me allows employers to digitally and physically review their real identities, credentials, qualifications and work documentation (through a strategic alliance with Australia Post).

Giving employers access to credentialed workers under the TikForce Platform reduces their cost of finding suitable talent while also reducing their risk of non-compliance.

Other TikForce products include:

- TikControl – an extension of Tik.me, providing task scheduling and workforce management; and
- TikTraks – an asset tracking solution.

Following completion of the Offers, the Company will focus on growing TikForce's business and fully commercialising the TikForce Platform by prioritising funds towards *further product enhancement*, sales and marketing.

The Company's initial focus will be to generate sales in the Australian market. The company has advanced sales plans and solid partner sales relationships, as well as a maturing ambassadorial program.

Tikforce is also targeting industry specific markets by working with industry groups, catalyst clients in specific markets and integration to complementary products for co sales and marketing.

Min-Trak is a technology company which provides a tracking and management solution for high-value assets, customized to client requirements. The Min-Trak product can be utilised to:

- Track assets and people via mobile or satellite networks;
- Provide critical vehicle, driver and journey data via an in-vehicle monitoring system; and
- Track load weights and send alerts for unwanted events or deviations, all with real time reporting.

TIKFORCE LIMITED
DIRECTORS' REPORT (cont.)

For the year ended 30 June 2016

Min-Trak will be integrated into the TikForce platform to extend that transaction data collected and to assist in log book information and provide benchmark data on worker with vehicle productivity.

Min-Trak will be rebranded as TikTraks and be utilised as a complementary product to the TikForce platform. The product will be sold on a hardware and monthly subscription service based on the number of vehicles or assets tracked. We will also offer a tiered service as with TikForce with a larger monthly fee based on the required features.

The Company will be utilising the same sales and marketing programs for TikForce and TikTraks, however we will be tracking income from the vehicle and asset tracking products as a separate department.

In addition to growing its business organically, the Company intends to target strategic opportunities for growth through acquisitions of competitors and complementary businesses.

Litigation:

There are no other current actions against the Company or by the Company against third parties.

Events after the Reporting Date:

Subsequent to 30 June 2016, the Company achieved:

- **accreditation as a National Police Check Agency.**

Tikforce is a Regulatory Technology ("RegTech") Company that assists businesses to reduce the time, risks and costs associated with regulatory compliance of employees and contractors.

The accreditation eliminates the need for our clients to utilise third party providers to satisfy integrity police checks, that many employment opportunities require.

The addition of police checks means that Tikforce is now able to provide a full range of work ready verification services, which saves companies the trouble of going to multiple providers.

- **completed the "Phase 1 contractor onboarding" roll out with MTM/Metro.**

The new version of the Metro identity validation and access process provides a more complete solution, which streamlines the full onboarding ID process for an additional 750 contractors working on the Metro train network. "Onboarding" in the MTM context is ensuring that MTM's subcontractor workers have had their Identity verified, verified that they are eligible to work in Australia and have completed the MTM safety induction prior to starting on site. Generically in employment terms, onboarding is the process that ensures a worker has met both Company and Legislative requirements to be eligible for that role.

- **signed a binding Heads of Agreements (HOA) with Mediasphere Holdings Pty Ltd**

Mediasphere is an industry leader in the e-Learning sector, which will drive immediate recurring revenue and significant market adoption of the Company's worker identity and credentials verification platform.

Mediasphere will pay TikForce for each user that is verified through the Company's platform Certain.online, which is an API suite, providing secure login and active biometrics for online training and induction. Individuals are tested against their verified ID.

Certain.online provides a set of application programming interfaces for online training at testing organisations. By using biometrics on course participants, employers, trainers and testers can be sure that the job applicant is actually the person who completed the course.

Mediasphere is a leading SaaS eLearning platform and content provider with operations spanning the UK, India, UAE, Australia and New Zealand

Use of Cash and Assets

The Company confirms that it has used its cash and assets that it had at the time of its admission to the ASX official quotation platform in a way consistent with its business objectives.

Dividends:

The Directors do not recommend payment of any dividends at this time and no dividend was paid during the period.

Environment Issues:

As a holding company, which derives its values largely through the operation of its subsidiaries and related companies, the Company does not conduct significant activities, and as such has minimal environmental impact. Prudent policies and procedures have been enacted with respect to commonly accepted practice on energy conservation, recycling, and other initiatives to reduce environmental impact of ongoing operations.

The related companies follow similar ethical, environmental and clinical standards.

Information on directors and secretary:

MR PETER WOODS OAM DOB 29 MARCH 1943

NON - EXECUTIVE CHAIRMAN (APPOINTED 11 JULY 2012)

Qualifications:

JP, BA, MLitt, FACE, FAICD

Experience

Mr Woods has had extensive Board and political experience in both the public and private sectors, nationally and internationally. He has extensive experience in Asia-Pacific and throughout the World and following his service as Secretary General of United Cities and Local Governments (Asia Pacific), Asia Pacific President and World Vice President of the International Union of Local Authorities and a ten-year term as a Director of the Commonwealth Local Government Forum and considerable United Nations work.

Interests in shares and Options

225,788 ordinary shares and nil options to acquire a further ordinary shares

Other current directorships

Nil

Ian Murie – DOB 25 May 1953

Non-Executive Director – appointed on 13 April 2011

Qualifications

B Juris LLB

Experience

Ian Murie runs a commercial legal practice in West Perth and has been admitted for over 30 years. He holds a Bachelor of Law degree from the University of Western Australia and is a Notary Public. He was previously the Chairman of publicly listed Excalibur Mining Corporation Limited. He was previously on the Compliance committee of four Great Southern vineyard schemes.

Other current directorships

Nil

Other former directorships in the last three years.

Activistic Ltd (resigned 18 June 2015)

Interests in shares and Options

146,871 ordinary shares and nil options to acquire a further ordinary shares

Roland Berzins DOB 18 Feb 1953

Non-Executive Director, Company Secretary and Public Officer – Appointed 10 March 2015

Qualifications

B Comm. ACPA FFIN TA.

Experience

Mr. Berzins graduated from the University of Western Australia with a Bachelor of Commerce majoring in accounting and finance.

Since 1996 Mr. Berzins has been Company secretary for a variety of ASX listed companies, and has also had experience in retail, merchant banking, venture capital and SME business advisory. Mr Berzins also has experience in the financial management of technology based company's and their corporate management. In addition, Mr Berzins has extensive experience with respect to financial management within the mining industry and large organizations.

Other current directorships

Odin Energy Ltd
Excalibur Mining Corporation Ltd

Other former directorships in the last three years.

Mt Ridley Mines Limited (16/02/2005 to 08/09/2014)

Activistic Ltd (resigned 31 July 2015)

Interests in shares and Options

393,662 ordinary shares and nil options to acquire a further ordinary shares

DIRECTORS' REPORT (cont.)

For the year ended 30 June 2016

Meetings of Directors:

During the financial year, 27 meetings of directors (including circular resolutions) were held. Attendances were:

Director	Number of meetings attended	Number of meetings held
Peter Woods	27	27
I Murie	27	27
R Berzins	27	27

Options

At the date of this report, the unissued ordinary shares of Tikforce Limited under options are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
31 March 2016	31 May 2018	\$0.11	20,000,000
31 March 2016	31 May 2018	\$0.11	450,000
			<u>20,450,000</u>

Option holders do not have any rights to participate in any issue of shares and other interests of the Company or any other entity.

There have been no options granted over unissued shares or interests of any controlled entity within the Group during or since the end of the reporting period.

For details of options issued to directors and executives as remunerations, refer to the remunerations report.

Remuneration Report (Audited)

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

Principles used to determine the nature and amount of remuneration

The Company's policy for determining the nature and amount of emoluments of Board members and senior executives of the company is as follows:

- The remuneration structure for executive officers, including executive directors, will emphasise payments for results through providing various reward schemes.
- The objective of the reward schemes is to both reinforce the short and long term goals of the Company and to provide a common interest between management and shareholders.
- Establish appropriate performance hurdles in relation to variable remuneration.
- The aim of the policy is to reward employees for the success of the Company and its performance overall.

Remuneration Committee

Due to the current size of the Board and the number of staff, the full Board is responsible for determining and reviewing compensation arrangements for directors, the chief executive officer and all staff. The Board may seek independent expert advice to assess the nature and amount of remuneration of all staff including directors and the chief executive officer by reference to relevant employment market conditions with the overall objective being the retention and attraction of a high quality board, executive and company.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and senior executive remuneration is separate and distinct.

TIKFORCE LIMITED
DIRECTORS' REPORT (cont.)

For the year ended 30 June 2016

Non-executive director remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 4 November 2004 when shareholders approved an aggregate remuneration of \$300,000 per year. The board considers advice from external consultants when undertaking the annual review process.

Due to tight financial constraints, every effort has been made to reduce all fees, including director compensation.

Each director receives a fee for being a director.

The remuneration of non-executive directors for the year ended 30 June 2016 is detailed in page 15.

Senior manager and executive director remuneration

Objective

The Company aims to reward and attract senior managers and executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company.

Structure

In determining the level and make up of senior manager and executive remuneration, the Board may engage external consultants to provide independent advice. Remuneration generally consists of the following elements:

- Fixed remuneration;
- Variable remuneration; and
- Long Term Incentive.

No executives have long term contracts and non-executive directors have no notice period. Further details regarding remuneration of senior managers and executive directors for the year ended 30 June 2016 is detailed in page 14.

Fixed Remuneration

Objective

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. It is reviewed annually and it involves where appropriate the access to external advice.

TIKFORCE LIMITED
DIRECTORS' REPORT (cont.)

For the year ended 30 June 2016

Variable Remuneration and long term incentive

Structure

The Company's policy for determining the nature and amount of emoluments of Board members and senior executives of the Company is as follows:

- The remuneration structure for executive officers, including executive directors, will seek to emphasise payments for results through providing various reward schemes. The objective of the reward schemes is to both reinforce the short and long term goals of the Company and to provide a common interest between management and shareholders.

At this stage the Company doesn't offer any alternatives for the fixed component.

Employment contract

The Company has an employment contract with Mr Kevin Baum, a founder of Tikforce Operations Pty Ltd and currently CEO of the Company. Mr Baum's remuneration may, at his election, be packaged in a manner to be determined by the Executive (after appropriate tax and other financial consultation), and may include such things as base salary, superannuation at the ongoing SGL rate, or other agreed items.

Such packaging may be changed at the direction of the Executive from time-to-time, but shall at no time exceed A\$300,000 (or such amount as may be the then "Reviewed Remuneration amount") on an annual basis.

The Executive will be subject to annual performance reviews, against predetermined KPIs that will be drawn up by the Executive and the Board following commencement of his employment with the Company. The Executive may also be eligible to receive bonus options in the Company which may be granted and allotted by the Board, based on completion and measurement against KPI's and market conditions and subject to approval of Shareholders.

Remuneration of directors and executives:

For the year ended 30 June 2016

Directors	Salary and fees	Super-annuation	Sub total	Share based payments	Total	Share based payments as a proportion %
Non-executive						
P. Woods	22,729	-	-	22,271	45,000	49.5%
I. Murie	47,308	-	-	7,642	54,950	13.9%
R. Berzins	57,950	-	-	28,050	86,000	32.6%
Total	127,987	-	-	57,963	185,950	31.9%
Executive employees						
Kevin Baum (CEO)						
	175,000	7,125	182,125	-	182,125	-
	175,000	7,125	182,125	-	182,125	-

TIKFORCE LIMITED
DIRECTORS' REPORT (cont.)

For the year ended 30 June 2016

For the year ended 30 June 2015

Directors	Salary and fees	Superannuation	Sub total	Share based payments	Total	Share based payments as a proportion %
Non-executive						
P. Woods	36,000	-	-	-	36,000	-
I. Murie	30,000	-	-	-	30,000	-
R. Berzins	18,810	-	-	-	18,810	-
G Le Page	12,000	-	-	-	12,000	-
Total Directors	96,810	-	-	-	96,810	-

Executive employees	Salary and fees	Superannuation	Sub total	Share based payments	Total	Share based payments as a proportion %
Kevin Baum (CEO)	-	-	-	-	-	-
	-	-	-	-	-	-

No performance based remuneration was issued during the year (2015: nil). Fixed remuneration for 2016 was 100% (2015: 100%) for all directors and nil% (2015: nil %) was at risk.

(i) Ordinary Shareholdings

The number of ordinary shares held in Tikforce Ltd by each Key Management Persons (KMP) (including directors and CEO) during the financial year is as follows:

Name and Position held - 2016	Balance 01/07/2015 or at date of appointment	Consolidation 1 per 100	Granted as Remuneration's during the year	Issued on exercise of Options during the year	Other changes during the year	Balance 30/06/16
Peter Woods – Chairman	307,400	(304,326)	222,714	-	-	225,788
Ian Murie – Non Executive Director	7,045,000	(6,974,550)	76,421	-	-	146,871
Roland Berzins – Non Executive Director and Company Secretary	11,316,200	(11,203,038)	280,500	-	-	393,662
Kevin Baum – Chief Executive Officer	-	-	-	-	11,628,168	11,628,168
Total	18,668,600	(18,481,914)	579,626	-	11,628,168	12,394,489

TIKFORCE LIMITED
DIRECTORS' REPORT (cont.)

For the year ended 30 June 2016

(ii) Option and Rights granted as Remuneration

All options were issued by Tikforce Limited and entitle the holder to one ordinary share in Tikforce Limited for each option exercised.

There have not been any alterations to the terms or conditions of any grants since grant date.

2016	Balance 01/07/2015	Granted Details	Exercised	Lapsed	Balance at 30/06/16
Group KMP					
Peter Woods – Chairman	153,700	-		(153,700)	-
Ian Murie – Non Executive Director	-	-		-	-
Roland Berzins – Non Executive Director and Company Secretary	1,400,000	-		(1,400,000)	-
Kevin Baum – Chief Executive Officer	-	-		-	-
Total	1,553,700	-		(1,553,700)	-

Given the financial position of the Company as at 12 August 2015, the Directors considered that the issue of Director Shares as payment for director fees, company secretarial fees and consulting fees was a cost effective and efficient means for the Company to conserve cash but remunerate its Directors and Past Director for their services. This was approved by shareholders at the Share Holders meeting of 12 August 2015.

Other Equity – related KMP transactions

There have been no other transactions involving equity instruments apart from those described in the tables above relating to options, rights and shareholdings.

Other Transactions with KMP and / or their Related Parties

There were no other transactions conducted between the Group and KMP or their related parties, apart from those disclosed above relating to equity, compensation and loans, that were conducted other than in accordance with normal employee, customer or supplier relationships on terms no more than those reasonably expected under arm's length dealings with unrelated persons.

Remuneration Consultants

The Company did not engage any remuneration consultants during the year.

Service agreements

Separate service agreements are in place with directors and executives for the year ended 30 June 2016.

Voting and comments made at the Company's 2015 Annual General Meeting ("AGM")

At the 2015 AGM, 100% of the voters received supported the adoption of the remuneration report for the year ended 30 June 2015. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

End of Remuneration Report (Audited)

Indemnities and insurance officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-Audit Services

No non-audit services were provided by the entity's auditor, Greenwich and Co Audit Pty Ltd. The Company's former auditors, Somes Cooke, completed the Company's Independent Accountants report with respect to the compilation of the Company's prospectus and Supplementary prospectus (dated 1 October 2015 and 4 January 2016 resp.).

Auditor's Declaration:

The auditor's independence declaration under s 307C of the *Corporations Act 2001* is set out on page 33 for the year ended 30 June 2016.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.



Roland Berzins
Director
Date: 30th September 2016

TIKFORCE LIMITED
CORPORATE GOVERNANCE

For the year ended 30 June 2016

The Board of Directors of Tikforce Limited (“Tikforce” or “the Company”) is committed to conducting the Company’s business in accordance with the highest standards of corporate governance. The Board is responsible for the Company’s Corporate Governance and the governance framework, policy and procedures, and charters that underpin this commitment. The Board ensures that the Company complies with the corporate governance requirements stipulated in the Corporations Act 2001 (Cth), the ASX Listing Rules, the constitution of the Company and any other applicable laws and regulations.

The table below summarises the Company’s compliance with the ASX Corporate Governance Councils Corporate Governance Principles and Recommendations (3rd Edition), in accordance with ASX Listing Rule 4.10.3.

TIKFORCE LIMITED
CORPORATE GOVERNANCE

For the year ended 30 June 2016

Principles and Recommendations		Disclosure	Comply
Principle 1 – Lay solid foundations for management and oversight			
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management	These matters are disclosed in the Company's Board Charter, which is available on the Company's website which is in transition / reconstruction	Does not comply
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (c) provide security holders with all material information in its possession relevant to a decision on whether to not to elect or re- elect a director	When a requirement arises for the selection, nomination and appointment of a new director, the Board forms a sub-committee that is tasked with this process, and includes undertaking appropriate checks and any potential candidates. When directors retire and nominate for re-election, the Board does not endorse a director who has not satisfactorily performed their role.	Complies Complies
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	The Company executes a letter of appointment with each director and services agreements with senior executives.	Complies
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair; on all matters to do with the proper functioning of the board.	The Company Secretary reports to the chair of the board on all matters to do with the proper function of the board.	Complies

TIKFORCE LIMITED
CORPORATE GOVERNANCE

For the year ended 30 June 2016

1.5	<p>A listed entity should:</p> <ul style="list-style-type: none"> (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objective for achieving gender diversity set by the boards or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: <ul style="list-style-type: none"> 1. the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or 2. if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under the Act. 	<p>Due to its size and limited scope of operations, the Company does not currently have a diversity policy.</p> <p>As the Company's activities increase in size, scope and/or nature, the board will consider the appropriateness of adopting a diversity policy.</p>	Does not comply
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TIKFORCE LIMITED
CORPORATE GOVERNANCE

For the year ended 30 June 2016

Principles and Recommendations	Compliance	Comply
<p>1.6 A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>Currently, the Board does not formally evaluate the performance of the Board and individual directors, however the Board Chairman provides informal feedback to individual Board members on their performance and contribution to Board meetings, on an ongoing basis.</p>	<p>Does not comply</p>
<p>1.7 A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>The current Managing Director, Mr Peter Woods was appointed on 11 July 2012 and there is provision for the evaluation of his performance on the anniversary date of his appointment.</p>	<p>Complies</p>

TIKFORCE LIMITED
CORPORATE GOVERNANCE

For the year ended 30 June 2016

Principle 2 – Structure the board to add value			
2.1	<p>A listed entity should:</p> <p>(a) have a nomination committee which;</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director; and</p> <p>disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>Due to its size and limited scope of operations, the Company does not currently have a nomination committee, however board sub-committees are formed, as required, to manage matters that would normally be dealt with by a formally constituted nomination committee,.</p> <p>As the Company's activities increase in size, scope and/or nature, the board will consider the appropriateness of a nomination committee.</p>	Does not comply
2.2	<p>A listed entity should have and disclose a board skill matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>A copy of the board skill matrix is appended to this Corporate Governance Statement.</p>	Complies

TIKFORCE LIMITED
CORPORATE GOVERNANCE

For the year ended 30 June 2016

2.3	<p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors; and</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box .2.3 but the board is of the opinion that it does no compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director.</p>	<p>Mr Peter Woods is considered by the board to be an independent director and this is disclosed on the Company web site and in its annual and half-yearly director reports.</p> <p>The length of service of each director is disclosed in the Company's annual and half yearly director reports and in notices of meetings when directors are nominated for re-election.</p>	Complies
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Principles and Recommendations		Compliance	Comply
2.4	A majority of the board of a listed entity should be independent directors.	Mr Peter Woods is the only independent member of the Company's board.	Does not comply however the board is of the view that the skills and experience of the directors allow the board to act in the best interests of shareholders and is appropriate for the size of the Company.
2.5	The chair of the board of a listed entity should be an independent director and, in particular; should not be the same person as the CEO of the entity.	Mr Peter Woods is the Chairman and is an independent non-executive director.	Complies.

TIKFORCE LIMITED
CORPORATE GOVERNANCE

For the year ended 30 June 2016

Principle 3 – A listed entity should act ethically and responsibly			
3.1	A listed entity should: (a) have a code of conduct of its directors, senior executives and employees; and (b) disclose that code or a summary of it.	The Company code of conduct is available on the Company web site which is in transition / reconstruction.	Complies

TIKFORCE LIMITED
CORPORATE GOVERNANCE

For the year ended 30 June 2016

Principle 4 – Safeguard integrity in corporate reporting			
4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director; who is not the chair of the board,</p> <p>and disclose</p> <p>(3) the relevant qualifications and experience of the members of the committee; and</p> <p>(4) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotations of the engagement partner.</p>	<p>Due to its size and limited scope of operations, the Company does not currently have an audit committee, however the auditors do meet with the full board, without management present to its audit report and any other matters that have arisen during its audit work.</p> <p>As the Company's activities increase in size, scope and/or nature, the board will consider the appropriateness of an audit committee.</p>	<p>Does not comply, however the auditors do meet with the full board without management present.</p>

TIKFORCE LIMITED
CORPORATE GOVERNANCE

For the year ended 30 June 2016

4.2	<p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management, and internal control which is operating effectively.</p>	<p>The Board does receive a statement signed by those performing the roles of the Managing Director and the Chief Financial Officer.</p>	Complies
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TIKFORCE LIMITED
CORPORATE GOVERNANCE

For the year ended 30 June 2016

Principles and Recommendations		Compliance	Comply
4.3	A listed entity that has an Annual General Meeting (AGM) should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit,	The Company's auditors are present at the Annual General Meeting.	Complies
Principle 5 – Make timely and balanced disclosure			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	The Company does have a Continuous Disclosure policy, which is available on the Company web site which is currently in transition / reconstruction.	Complies
Principle 6 – Respect the rights of security holders			
6.1	A listed entity should provide information about itself and its governance to investor via its website.	The Company does have a company information and governance statement, which is available on the Company web site which is currently in transition / reconstruction	Complies
6.2	A Listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	The Company has implemented an investor relations program targeting retail investors and encourages all investors or potential investors to communicate with the Company via its web site which is currently in transition / reconstruction	Complies
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	The Company Shareholder Communication Policy is available on the Company web site which is currently in transition / reconstruction	Complies

TIKFORCE LIMITED
CORPORATE GOVERNANCE

For the year ended 30 June 2016

6.4	A listed entity should give security holder the option to receive communications from, and send communication to the entity and is security registry electronically.	Security holder can elect to receive communications from the Company electronically either by contacting the Company's share registrar, or the Company directly.	Complies
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TIKFORCE LIMITED
CORPORATE GOVERNANCE

For the year ended 30 June 2016

Principal 7 – Recognise and manage risk			
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which::</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director and disclose</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendance of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>Due to its size and limited scope of operations, the Company does not currently have a risk committee; however management does present and discuss risk with the full board.</p> <p>As the Company's activities increase in size, scope and/or nature, the board will consider the appropriateness of a risk committee.</p>	Does not Comply
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>The board reviews the company's risk management framework at least annually and disclose this in each periodic report.</p>	Complies

TIKFORCE LIMITED
CORPORATE GOVERNANCE

For the year ended 30 June 2016

Principles and Recommendations		Principles and Recommendations	Principles and
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	The Company does not have an internal audit function.	Does not comply
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	The Company does make these disclosures.	Complies

TIKFORCE LIMITED
CORPORATE GOVERNANCE

For the year ended 30 June 2016

Principle 8 – Remunerate fairly and responsibly			
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director and disclose</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendance of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>Due to its size and limited scope of operations, the Company does not currently have a remuneration committee.</p> <p>As the Company's activities increase in size, scope and/or nature, the board will consider the appropriateness of a remuneration committee.</p>	Does not Comply
8.2	<p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive director and other senior executive.</p>	<p>The Company discloses its practices in relation to the remuneration of non-executive directors and senior executives in its annual remuneration report.</p>	Complies

TIKFORCE LIMITED
CORPORATE GOVERNANCE

For the year ended 30 June 2016

8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transaction (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>The Company's Security Trading Policy obliges all directors, officers and employees of the Company to advise the Company, via the Company Secretary, or any securitisation of Company securities. A copy of the policy is available on the Company's web site.</p> <p>As at the date of this statement the Company Secretary has not been advised by an officer or employee of the Company of any securitisation of Company securities that they own.</p>	Complies
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As the Company's activities increase in size, scope and/or nature, the Company's corporate governance principles will be reviewed by the Board and amended as appropriate.

Diversity

The Company and all its related bodies corporate are committed to workplace diversity. The Company recognises the benefits arising from employee and Board diversity, including a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas and benefitting from all available talent.

Diversity includes, but is not limited to gender, age, ethnicity and cultural background.

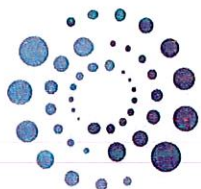
The Diversity Policy is available on the Company's website which is in transition / reconstruction..

As stated earlier, the Company is at a stage of its development that the application of measurable objectives in relation to gender diversity, at the various levels of the Company's business, are not considered to be appropriate nor practical.

The participation of women in the Company and consolidated entity at 30 June 2016 was as follows:

- *Women employees in the consolidated entity* 27%
- *Women in senior management positions* 0%
- *Women on the board* 0%

Further details of the Company's corporate governance policies and practices are available on the Company's website at www.tikforce.com.au



Greenwich & Co

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Auditor's Independence Declaration

To those charged with governance of Tikforce Limited

As auditor for the audit of Tikforce Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

Greenwich & Co Audit Pty Ltd
Greenwich & Co Audit Pty Ltd

Nicholas Hollens

Nicholas Hollens

Managing Director

Perth

30 September 2016

TIKFORCE LIMITED

Statement of Profit or Loss and Other Comprehensive Income
For The Year Ended 30 June 2016

		CONSOLIDATED	
		2016	2015
		\$	\$
Income			
Sales revenue	4(a)	15,628	-
Other income		22,849	18,740
Total Income		38,477	18,740
Expenses			
Professional fees	4(b)	176,787	-
Employee and director expenses	4(b)	190,436	-
Listing fee expense	17	2,682,808	-
Loss on conversion of convertible note		967,500	-
Amortisation and depreciation		116,042	-
Impairment of receivables		(926)	-
Other expenses	4(b)	329,802	1,047
Total expenses		4,462,449	1,047
Loss before income tax			
Income tax expense	13	-	-
Net (loss)/profit for the year		(4,423,972)	17,693
Other comprehensive income			
<i>Items that may be reclassified to profit and loss</i>			
Foreign currency translation loss realised from de-recognition of foreign operations		-	-
Total other comprehensive income		-	-
Total comprehensive (loss)/profit for the year		(4,423,972)	17,693
Net profit / (loss) attributable to:			
-members of TikForce Limited	12	(4,423,972)	17,693
-Non-controlling interests		-	-
		(4,423,972)	17,693
Total comprehensive profit / (loss) attributable to:			
-members of TikForce Limited		(4,423,972)	17,693
-Non-controlling interests		-	-
		(4,423,972)	17,693
Basic Loss per share (cents)			
	5	(15.69)	29,488
Diluted loss per share (cents)			
	5	(15.69)	29,488

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

TIKFORCE LIMITED

Statement of Financial Position
As at 30 June 2016

		CONSOLIDATED	
	Note	2016	2015
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	1,794,644	3,181
Receivables	7	151,469	40,112
Inventory		4,871	-
Total current assets		1,950,984	43,293
NON CURRENT ASSETS			
Property, plant and equipment		3,150	3,324
Intangible Assets	8	2,209,789	478,010
Total non-current assets		2,212,939	481,334
Total assets		4,163,923	524,627
LIABILITIES			
CURRENT LIABILITIES			
Payables	9	875,550	506,874
Provisions	10	37,870	-
Total liabilities		913,420	506,874
Net assets		3,250,503	17,753
EQUITY			
Contributed equity	11	6,700,737	60
Share option reserves	11	956,045	-
Accumulated losses	12	(4,406,279)	17,693
Total equity		3,250,503	17,753

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

TIKFORCE LIMITED

**Statement of Changes in Equity
For The Year Ended 30 June 2016**

2016 CONSOLIDATED	Issued Capital \$	Share Option Reserves \$	Non- controlling Interest \$	Accumulated Losses \$	Total \$
Balance at 1 July 2015	60	-	-	17,963	17,753
Comprehensive income					
(Loss) for the year	-	-	-	(4,423,972)	(4,423,972)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(4,423,972)	(4,423,972)
Transactions with owners in their capacity as owners:					
Issued Capital – Shares	8,776,757	-	-	-	8,776,757
Share Issue costs	(2,076,080)	-	-	-	(1,122,080)
Issued Capital - options	-	946,045	-	-	956,045
Total transactions with owners and other transfers	6,700,677	956,045	-	-	7,656,722
Balance at 30 June 2016	6,700,737	956,045	-	(4,406,279)	3,250,503

2015 CONSOLIDATED	Issued Capital \$	Share Based Payment Reserves \$	Non- controlling Interest \$	Accumulated Losses \$	Total \$
Balance at 1 July 2014	-	-	-	-	-
Comprehensive income					
Profit for the year	-	-	-	17,693	17,693
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	17,693	17,693
Transactions with owners in their capacity as owners:					
Issued Capital	60	-	-	-	60
Total transactions with owners and other transfers	60	-	-	-	60
Balance at 30 June 2015	60	-	-	17,693	17,753

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

TIKFORCE LIMITED

Statement of Cash Flows

For The Year Ended 30 June 2016

	Note	CONSOLIDATED	
		2016	2015
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received in the course of operations		38,477	2,066
Cash payments in the course of operations		(917,562)	(1,047)
Interest paid		(39,993)	-
Net cash (used in) / provided by operating activities	6	(919,078)	1,019
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for purchases of Property, plant and equipment		-	(3,324)
Payments to suppliers and employees		(884,023)	(443,820)
Cash acquired on acquisition of Tikforce Limited	17	4,551,833	-
Net cash provided by/ (used in) by financing activities		3,667,810	(447,144)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from capital raising		52,568	60
Payment of capital raising costs		(1,122,080)	-
Proceeds from the issue of options		2,045	-
Proceeds from borrowings		673,546	449,246
Repayment of loans		(563,348)	-
Net cash (used in)/provided by financing activities		(957,269)	449,306
Net increase in cash and cash equivalents held		1,791,463	3,181
Cash and cash equivalents at the beginning of the financial year		3,181	-
Cash and cash equivalents at the end of the financial year	6	1,794,644	3,181

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

TIKFORCE LIMITED**Notes to the Financial Statements****1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These consolidated financial statements and notes represent those of Tikforce Limited and Controlled Entities ("the Consolidated group" or "Group"). Tikforce Limited is a public listed company, incorporated and domiciled in Australia.

The separate financial statements of the parent entity, Tikforce Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The address registered office is Suite A7 435 Roberts Rd Subiaco WA, 6005, Australia.

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

(a) Going concern

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

During the period ended 30 June 2016, the Group incurred net loss after tax of \$4,423,972 and a cash outflow from operating activity of \$919,078

As at 30 June 2016, the Group had cash and cash equivalents of \$1,794,644 and net assets of \$3,250,503 and a net working capital of \$1,037,564.

The Company has prepared a detailed cash budget showing the need to receive additional funds in order to finance the group for the next twelve months. This creates an uncertainty that may cast doubt as to whether the Group will continue as a going concern and, therefore, whether it will settle its liabilities and commitments in the normal course of business.

The directors have considered the funding and operational status of the business in arriving at their assessment of going concern and believe that the going concern basis of preparation is appropriate, based upon the following:

- The ability of the Company to obtain funding through various sources, including debt and equity issues which are currently being investigated by management;
- The ability to further vary cash flow depending upon the achievement of certain milestones within the business plan; and
- The expected receipt of sale proceeds from the sale of processing of license applications.

The directors have reasonable expectations that they will be able to raise additional funding needed for the group to continue to execute against its milestones in the medium term. However, cashflows have been adjusted to ensure that the Company can pay its debts as and when they fall due until medium term funding is secured. This may have an impact on the ability of the Company to grow as rapidly as it anticipated but should provide a more sustainable cost base until funding is obtained.

TIKFORCE LIMITED**Notes to the Financial Statements (cont.)**

Should the Group not achieve the matters set out above, there is uncertainty whether the Group would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial report. The financial report does not include adjustment relating to the recoverability or classification of the recorded asset amounts or the amount or classification of liabilities that might be necessary should the group not be able to continue as a going concern.

(b) Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards and the financial report has been prepared on a historical cost basis.

The financial report has been presented in Australian Dollars, which is the functional currency of the Company.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Acquisition of Tikforce Operations Pty Ltd

On 31 March 2016 Tikforce Ltd (formerly called Palace Resources Ltd) completed the legal acquisition of Tikforce Operations Pty Ltd. Under the Australian Accounting Standards, Tikforce Operations Pty Ltd was deemed to be the accounting acquirer in the transaction. The acquisition has been accounted for as a share based payments by which Tikforce Operations Pty Ltd acquires the net assets and listing status of Tikforce Ltd.

Accordingly, the 2016 consolidated financial statements of Tikforce Ltd were prepared as a continuation of the business and operations of Tikforce Operations Pty Ltd. As the deemed acquirer Tikforce Operations Pty Ltd has accounted for the acquisition of Tikforce Ltd from 31 March 2016.

The implications of the acquisition by Tikforce Operations Pty Ltd on the financial statements are as follows:

Consolidated Statement of Profit or Loss and other Comprehensive Income

- The 2015/2016 consolidated statements comprise 12 months of Tikforce Operations Pty Ltd and period of 1 April 2016 to 30 June 2016 of Tikforce Ltd and its controlled entities; and

TIKFORCE LIMITED**Notes to the Financial Statements (cont.)**

- The comparative information as at 30 June 2015 is the Statement of comprehensive income of Tikforce Operations Pty Ltd.

Balance Sheet

- The consolidated statement of financial position at 30 June 2016 comprises both Tikforce Operations Pty Ltd and Tikforce Ltd and its consolidated entities; and
- The comparative statement of the balance sheet at 30 June 2015 comprises only Tikforce Operations Pty Ltd.

Statement of Changes in Equity

- The 2015/2016 consolidated statement of changes in equity comprises
 - The equity balance of Tikforce Ltd as at the beginning of the financial year (1 July 2015);
 - The total comprehensive income for the financial year and transactions with the equity holders, being the 12 months from Tikforce operations Pty Ltd for the year ended 30 June 2016 and the period from 1 April 2016 to 30 June 2016 for Tikforce Ltd and its controlled entities;
 - The equity balance of the combined Tikforce Operations Pty Ltd and Tikforce Ltd and its controlled entities, at the end of the financial year, 30 June 2016;
 - The comparative information as at 30 June 2015 is the Statement of Changes in equity of Tikforce operations Pty Ltd; and
 - Tikforce Operations' equity balance at 1 July 2015, its loss for the year and transactions with equity holders for 12 months. It also comprises Tikforce Ltd's transactions with equity holders in the past 3 months, and the equity balances of Tikforce Operations and Tikforce Ltd as at 30 June 2016.
- The 2014/2015 Statement of changes in equity comprises 12 months of Tikforce Operations Pty Ltd.

Statement of Cash Flow

- The 2015/2016 Statement of cash flows comprises:
 - The Cash balance of Tikforce operations Pty Ltd at the beginning of the financial year (1 July 2015);
 - The transactions for the financial year for the 12 months of Tikforce Operations Pty Ltd for the year ended 30 June 2016; and for the period from 1 April 2016 to 30 June 2016 for Tikforce Ltd and its controlled entities; and
 - The cash balance of the combined Tikforce Operations Pty Ltd and Tikforce Ltd and its controlled entities, at the end of the financial year 30 June 2016.
- The 2014/2015 statement of cash flows 12 months of Tikforce Operations Pty Ltd.

(c) Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 2.

TIKFORCE LIMITED**Notes to the Financial Statements (cont.)****(d) Principles of Consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June each year. The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Tikforce Limited ("Company" or "parent entity") as at 30 June 2016 and the results of all subsidiaries for the year then ended. Tikforce Limited and its subsidiaries together are referred to in this financial report as the Group or the Consolidated Entity.

The Group has been formed following the transaction with Tikforce Ltd (formerly Palace Resources Limited) and the Tikforce Operations Pty Ltd. On 31 March 2016, Tikforce Limited (formerly Palace Resources Limited), the legal parent and legal acquirer, completed the acquisition of Tikforce Operations Pty Ltd. The acquisition did not meet the definition of a business combination in accordance with AASB 3 Business Combinations. Instead, the acquisition has been treated as a group recapitalisation, using the principles of reverse acquisition accounting in AASB3 Business combinations given the substance of the transaction is that Tikforce Operations Pty Ltd has effectively been recapitalised. Accordingly, the consolidated financial statements have been prepared as if Tikforce Operations Pty Ltd had acquired Tikforce Limited, not vice versa as represented by the legal position.

The recapitalisation is measured at the fair value of the equity instruments that would have been given by Tikforce Operations Pty Ltd to have exactly the same percentage holding in the new structure at the date of the transaction.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and potential effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

Investments in subsidiaries are accounted for at cost in the separate financial statements of Tikforce Limited.

(e) Business combinations

Business combinations are accounted for using the acquisition method. The cost of the acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non – controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non – controlling interests in the acquiree at fair value or at the proportionate shares of the acquiree identifiable net assets. Acquisition – related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed to be appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of

TIKFORCE LIMITED**Notes to the Financial Statements (cont.)**

embedded derivatives in host contracts by the acquiree. Any contingent consideration to be transferred by the acquirer will be recognised at the fair value at the acquisition date. Contingent conditions classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the statement of profit and loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non – controlling interest) and any previous interest held over the net identifiable assets acquired and liability assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the group re- assesses whether it has correctly identified all of the assets and all of the liabilities assumed and reviews the procedure used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment loss. For the purpose of impairment testing, goodwill acquired in a business is, from the acquisition date, allocated to each of the Group's cash – generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash generating unit (CGU), and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the proportion of cash – generating units retained.

(f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income is recognised using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(g) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there

TIKFORCE LIMITED**Notes to the Financial Statements (cont.)**

is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

(h) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprises cash at bank and in hand and short term deposits that are readily convertible to known amounts of cash and which are subject to the 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. Bank overdrafts are included within interest bearing loans and borrowings in the current liabilities of the statement of financial position.

(i) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues or incur expenses) including revenues and and expenses relating to the transaction with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start – up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

(j) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control

TIKFORCE LIMITED**Notes to the Financial Statements (cont.)**

the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(k) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(l) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is reclassified from equity and recognised in profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in profit or loss.

(m) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between

TIKFORCE LIMITED**Notes to the Financial Statements (cont.)**

the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

(n) Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(o) Property, plant and Equipment

Plant and equipment is stated at historical cost less accumulated depreciation.

Capital works – in – progress is stated at cost and comprises all costs directly attributable to bringing the assets under construction ready to their intended use. Capital work – in – progress is transferred to property, plant and equipment at cost on completion.

Depreciation is calculated on a straight – line basis over the estimated life of the asset which ranges between 3 and 25 years.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continual use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the items) is included in the statement of comprehensive income in the period the item is derecognised.

(p) Intangible Assets

Intangible assets acquired separately are measured at initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated

TIKFORCE LIMITED**Notes to the Financial Statements (cont.)**

impairment losses. Internally generated intangible, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit and loss in the period in which the expenditure is incurred. The useful lives of the intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of economic future benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortised expense of intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash – generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supported. If not, the changes in the useful life from indefinite to finite are made on a prospective basis.

Gains or losses arising from derecognition of an indefinite asset are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in the statement of profit and loss when the asset is derecognised.

(q) Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is completed and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in the statement of profit and loss. During the period of development, the asset is tested for impairment annually.

TIKFORCE LIMITED**Notes to the Financial Statements (cont.)***Patents and licences*

The Group has the potential to make upfront payments to purchase patents and licences. The patents can be granted for a period of 20 years by the relevant government agencies with the options of renewal at the end of the period.

A summary of the policies applied to the Group's intangible assets in such an instance, would be as follows

	Patents	Development costs
Useful life	Finite (20 years)	Finite (20 years)
Amortisation method	Amortised on a straight – line basis over the period of the patent	Amortised on a straight – line basis over the period of expected future sales from the related project
Internally generated or acquired	Acquired	Internally generated

(r) Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either: i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, principally equity securities, which are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or

TIKFORCE LIMITED**Notes to the Financial Statements (cont.)**

delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows. The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

(s) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which were unpaid. The amounts are unsecured.

(t) Share based payments

The Group provides benefits to employees (including senior executives) of the Group 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 is determined by using the Binomial method.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Tikforce Limited (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 Group'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.

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, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is

TIKFORCE LIMITED**Notes to the Financial Statements (cont.)**

granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 5).

(u) Contributed equity

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.

(v) Earnings per share*(i) Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary share and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(w) Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(x) New Accounting Standards for Application in Future Periods

There are a number of new Accounting standards and interpretations issued by the AASB that are not yet mandatorily applicable to the Consolidated group and have not been applied in preparation of these consolidated financial statements. The Group does not plan to adopt these standards early.

These standards are not expected to have a material impact on the Group in the current or future reporting periods.

(z) Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk

TIKFORCE LIMITED**Notes to the Financial Statements (cont.)**

of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Impairment of non-financial assets other than indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

2 PARENT ENTITY INFORMATION

	2016	2015
Information relating to Tikforce Limited (the legal entity):	\$	\$
Current assets	1,751,290	530,575
Non-current assets	3,658,117	170,566
Total assets	5,409,407	701,141
Current liabilities	382,845	1,726,905
Total liabilities	382,845	1,726,905
Issued capital	20,100,958	13,399,762
Accumulated losses	(16,039,891)	(14,532,415)
Share options reserve	965,495	97,440
Total shareholders' equity	5,026,562	(1,025,764)
Loss of the parent entity	1,137,795	(1,040,045)
Total comprehensive loss of the parent entity	1,137,795	(1,040,045)

The parent company has not entered into any guarantees, has no significant contingent liabilities, or contractual commitments for the acquisition of property, plant or equipment as at 30 June 2016.

Notes

[1] – The 2016 balances are that of Tikforce Limited

[2] – The 2015 balances are that of Palace Resources Limited (now known as Tikforce Limited)

TIKFORCE LIMITED**Notes to the Financial Statements (cont.)****3 SEGMENT REPORTING**

During the year the consolidated entity operated predominantly in one business segment, that being information technology for the development of its Tikforce platform, which enable increasingly mobile and freelance workers to better control where, for whom and when they work, and enable organisations to better manage their increasingly flexible workforce. The geographical segments is Australia.

4 REVENUE AND EXPENSES

4(a) Revenue from continuing operations	CONSOLIDATED	
	2016	2015
	\$	\$
Sales income	15,628	-
Other Income	22,849	18,740
Total Income	38,477	18,740
4(b) Expenses		
(i) Professional fees		
Accounting, audit and taxation	30,179	-
Consulting	141,321	-
Legal	5,287	-
Total professional fees	176,787	-
(ii) Employee and director expenses		
Wages, salaries and superannuation	157,436	-
Directors	33,000	-
Total employee benefits expense	190,436	-
(iii) Other expenses		
Advertising and promotion	82,487	-
Occupancy Costs	120,229	302
Compliance	(6,060)	391
Interest expenses	39,993	-
Travel expenses	45,035	-
Corporate expenses	48,119	354
Total other expenses	329,802	1,047

TIKFORCE LIMITED**Notes to the Financial Statements (cont.)****5 LOSS PER SHARE**

Basic loss per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per share amounts are calculated by dividing the net loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the net loss and no of shares used in the basic and diluted loss per share computations:

	CONSOLIDATED	
	2016	2015
	\$	\$
Net loss after income tax benefit attributable to members	(4,423,972)	17,693
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS ^[1] and diluted EPS	28,201,416	60
Earnings per share (Cents)	(15.69)	29,488.33

Note

^[1] The weighted average number of shares and resulting basic and diluted loss per share for 2016 has been adjusted to reflect the impact of the group restructure.

During the period 20,450,000 options were issued (2015: Nil). These options have not been included in the above calculation as they are anti-dilutive.

There have been no other conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report.

6 CASH AND CASH EQUIVALENTS

- Reconciliation of cash**

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	CONSOLIDATED	
	2016	2015
	\$	\$
Cash at bank	1,794,644	3,181

Cash at bank earns interest at floating rates based on daily bank deposit rates. Cash deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

TIKFORCE LIMITED**Notes to the Financial Statements (cont.)**

- **Reconciliation of loss from ordinary activities after income tax to net cash flows from operating activities**

	CONSOLIDATED	
	2016	2015
	\$	\$
Loss after income tax	(4,423,972)	17,693
Listing expenses	2,682,808	-
Loss on conversion of con note	967,500	-
Depreciation and Amortisation	116,042	-
Impairment	(926)	-
Miscellaneous expenses	(162,647)	(1,047)
Movements in assets and liabilities		
Increase in Debtors	113,357	40,112
(Decrease)/Increase in Accounts Payable	(368,676)	(55,739)
Increase in Other Provisions	157,436	-
Cash out flow from operations	(919,078)	1,019

7 RECEIVABLES

	CONSOLIDATED	
	2016	2015
	\$	\$
Current		
Trade and other receivables	151,469	40,112
	151,469	40,112

All receivables are current and not impaired.

8 INTANGIBLE ASSETS

	CONSOLIDATED	
	2016	2015
	\$	\$
Research and Development:		
Cost	1,354,031	478,010
Accumulated amortisation	(115,868)	-
	1,238,163	478,010
Intellectual Property		
Cost (Note 17)	963,626	-
Accumulated amortisation	-	-
	963,626	-
Total intangibles	2,201,789	478,010

TIKFORCE LIMITED**Notes to the Financial Statements (cont.)**

	Research and Development	Intellectual Property	Total
Year ended 30 June 2015			
Balance at the beginning of the year	-	-	-
Additions	478,010	-	478,010
Closing value as at 30 June 2015	478,010	-	478,010
Year ended 30 June 2016			
Balance at the beginning of the year	478,010	-	478,010
Additions	876,021	-	876,021
Acquired upon acquisition of subsidiary	-	963,626	963,626
Amortisation	(115,868)	-	(115,868)
Closing value as at 30 June 2016	1,238,163	963,626	2,201,789

9 PAYABLES

	CONSOLIDATED	
	2016	2015
	\$	\$
Current		
Creditors and other payables	875,550	506,874
	875,550	506,874

Creditors are unsecured, non-interest bearing and are normally subject to net 30 day terms.

10 PROVISIONS

	CONSOLIDATED	
	2016	2015
	\$	\$
Current		
Annual leave provisions	37,870	-
	37,870	-

11 CONTRIBUTED EQUITY

	CONSOLIDATED	
	2016	2015
(a) Issued and fully paid up capital		
Number of ordinary shares fully paid	117,767,624	60
\$ Value	\$6,700,737	\$60

TIKFORCE LIMITED**Notes to the Financial Statements (cont.)**

SHARES	Number	\$
Share on issue 1 July 2014	-	-
Issue of shares	60	60
TOTAL SHARES ON ISSUE 30 JUNE 2015	60	60
Shares on issue 1 July 2015	60	60
Shares issued under Misto Share Sale Agreement	16,499,940	-
Elimination of Shares on Acquisition by Misto	(16,500,000)	-
Issue of Shares under the Vendor Offers as consideration of the Acquisition – Misto / Tikforce Operations Pty Ltd	30,000,000	1
Issue of Shares under the Vendor Offers as consideration of the Acquisition – Min- Trak	9,000,000	900,000
Existing shares of Tikforce Limited on acquisition of Misto – 16 August 2015	11,929,229	1,192,923
Issue of Shares under the Public Offer	45,231,813	4,523,181
Issue of Shares under the Palace Resources Creditor Offer	1,806,522	180,652
Issue of Shares under the Min-Trak Creditor Offer	450,000	45,000
Issue of Shares under Converting Note Conversion Offer upon conversion of the Converting Notes	19,350,000	1,935,000
Capital Raising Costs		(2,076,080)
TOTAL SHARES ON ISSUE 30 JUNE 2016	117,767,564	6,700,737

^[1] Securities are shown on a post consolidation basis. During the year there was one consolidations of capital; 1:100.

c) Terms and conditions of contributed equity

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder' meetings.

In the event of winding up the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

TIKFORCE LIMITED

Notes to the Financial Statements (cont.)

d) Share options

During the period 20,450,000 options were issued, 20,000,000 to advisors to the Company's prospectus issue, and 450,000 to creditors of Min – Trak Pty Ltd. These options were issued at a price of \$0.0001 each and are exercisable at 11 cents on or before 30 June 2018. There were no options on issue at 30 June 2015.

The following table sets out the assumptions made in determining the fair value of options granted during the period which were estimated at the date of grant using the Black-Scholes model.

Expiry Date	31 May 2018
Grant Date	4 April 2016
Dividend yield	0%
Expected volatility	90%
Risk-free interest rate	2%
Option exercise price	\$0.11
Expected life (years)	2.16
Share price on date of issue	\$0.10

2016

Number of options	\$
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(d) Movement in share options

Opening balance	-	-
Options from acquisition of subsidiary	2,098,778	97,440
Issued during the year	20,450,000	956,045
Options converted to shares	(1,250)	-
Options expired during the year	(2,097,528)	97,440
	<u>20,450,000</u>	<u>956,045</u>

(e) Performance Shares

Effective 31 March 2015 a total of 41,000,000 Performance Shares were issued, divided as follows:

(a) 8,000,000 (b) 12,000,000 (c) 16,000,000 (d) 2,000,000 (e) 2,000,000 (f) 1,000,000	(a) A Performance Share Milestone will be taken to have been satisfied upon the TikForce Platform achieving 10,000 paid users (b) B Performance Share Milestone will be taken to have been satisfied upon the TikForce Platform achieving 20,000 paid users (c) C Performance Share Milestone will be taken to have been satisfied upon the TikForce Platform achieving 30,000 paid users.
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TIKFORCE LIMITED

Notes to the Financial Statements (cont.)

	<p>(d) D Performance Share Milestone will be taken to have been satisfied upon Min-Trak's annualised gross revenue exceeding \$75,000 per quarter for 2 consecutive quarters.</p> <p>(e) E Performance Share Milestone will be taken to have been satisfied upon Min-Trak's annualised gross revenue exceeding \$375,000 per quarter for 2 consecutive quarters.</p> <p>(f) F Performance Share Milestone will be taken to have been satisfied upon Min-Trak's annualised gross revenue exceeding \$750,000 per quarter for 2 consecutive quarters</p>
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*Performance shares were valued at \$nil, as the probability of performance hurdles being met was assessed as less than probable on the date of acquisition and as at 30 June 2016.

(f) Capital Risk Management

The consolidated entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may issue new shares, pay dividends or return capital to shareholders.

The consolidated entity monitors capital with reference to the net debt position. The consolidated entity's current policy is to ensure that cash and cash equivalents exceeds debt at all times.

12 ACCUMULATED LOSSES

	CONSOLIDATED	
	2016	2015
	\$	\$
Balance at beginning of year	17,693	-
Net (loss)/profit	(4,423,972)	17,693
Balance at end of financial year	(4,406,279)	17,693

TIKFORCE LIMITED

Notes to the Financial Statements (cont.)

13 INCOME TAX EXPENSE

The prima facie tax on loss before income tax is reconciled to income tax as follows:

	CONSOLIDATED	
	2016	2015
	\$	\$
Loss before tax from continuing operations	(4,423,972)	17,693
Income tax benefit calculated at 30% (2014: 30%)	(1,260,832)	5,308
Effect of non-deductible expenditure when calculating taxable loss	1,079,913	-
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	(255)	(5,308)
Income tax benefit on tax losses not brought into account	181,174	-
Income tax attributable to operation loss	-	-
Unrecognised deferred tax balances	-	-
tax losses – revenue	-	-
Deductible temporary differences	140,894	-
Total un-recognised deferred tax assets	140,894	-

While no formal analysis has been conducted to date as to whether the Company satisfies tests allowing it to carry forward its taxation losses it is considered that a substantial part of these losses may not be capable of being carried forward. The taxation losses are only realisable if:

- (i) The Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the losses and deductions to be realised;
- (ii) The Company continues to comply with the conditions for deductibility imposed by the law; and
- (iii) No changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the losses.

14 RELATED PARTY DISCLOSURE

Particulars in relation to controlled entities

Controlled entities	Country of Incorporation	Financial Reporting Date	Interest held	
			2016	2015
			%	%
Tikforce Limited	Australia	30 June	100	-
Tikforce Operations Pty Ltd ⁽ⁱ⁾	Australia	30 June	100	
Min – Trak Pty Ltd ⁽ⁱ⁾	Australia	30 June	100	
John Minerals Pty Ltd ⁽ⁱ⁾	Australia	30 June	100	

- ⁽¹⁾ Subsidiary of Tikforce Ltd

TIKFORCE LIMITED**Notes to the Financial Statements (cont.)****Director related entities**

Mr Berzins is a director of Tikforce Ltd and, since 18 April 2016 is a director of Tikforce Operations Pty Ltd.

Tikforce Ltd has a loan payable balance of \$24,582 with Sealblue Investments Pty Ltd and \$50,000 with Odin Energy Ltd as at 30 June 2016, of which these companies, Mr Berzins is a director of.

During the year the company incurred \$256,000 of capital raising fees with Silikonrok Pty Ltd, a company associated with Mr Baum, the Chief Executive Officer of Tikforce Ltd. Tikforce Ltd has a loan receivable balance of \$43,968 due to Silikonrok Pty Ltd as at 30 June 2016.

15 DIRECTOR AND EXECUTIVE DISCLOSURES**Details of Key Management Personnel**

Peter Woods	Non-Executive Chairman – appointed 11 th July 2012
Ian Murie	Non-Executive Director– appointed 13 th April 2011
Roland Berzins	Non-Executive Director– Appointed 9 th March 2015
Guy Le Page	Non – Executive Director – Resigned 10 th March 2015

Kevin Baum Chief Executive Officer – Appointed 12th April 2016

Aggregate remuneration of key management personnel

	CONSOLIDATED	
	2016	2015
	\$	\$
Salary and fees	137,987	96,810
Superannuation	-	-
Share based payments	57,963	-
Total	185,950	96,810

The above disclosure is based on 12 months remuneration by directors in Tikforce Limited and 3 months remuneration by directors in Tikforce Operations Pty Ltd.

Granted and exercisable option holdings of directors and executives

During the reporting period, no options were granted to a director or executive as remuneration, and no options were exercised by a director or executive from options previously granted as remuneration.

16 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial liabilities such as trade payables, which arise directly from its operations. The main market risks arising from the Group's financial instruments are interest rate risk and liquidity risk.

TIKFORCE LIMITED**Notes to the Financial Statements (cont.)**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

Risk management

The Group's exposure to market risk, credit risk, liquidity risk and foreign currency risk and policies in regard to these risks are outlined below:

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, and receivables. The maximum exposure to credit risk at the reporting to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial report.

Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unnecessary losses or risking damage to the Group's reputation. The Group's objective is to maintain adequate resources by continuously monitoring forecast and actual cash flows and maturity profiles of assets and liabilities.

Interest rate risk

The Group does not have significant borrowings and therefore exposure to interest rate risk is minimal. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash balances with floating interest rates.

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities at the reporting date are as follows;

TIKFORCE LIMITED**Notes to the Financial Statements (cont.)****FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

Financial Instrument	Fixed Interest Rate		Floating Interest Rate		Non-Interest Bearing		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$
(i) Financial assets								
Cash	-	-	-	-	1,794,644	3,181	1,794,644	3,181
Receivables	-	-	-	-	151,469	40,112	151,469	40,112
Total financial assets	-	-	-	-	1,946,113	43,293	1,946,113	43,293
Weighted average interest rate								
(ii) Financial liabilities								
Payables	-	-	-	-	875,550	506,874	875,550	506,874
Total financial liabilities	-	-	-	-	875,550	506,874	875,550	506,874

The Company has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest Rate Sensitivity Analysis

At 30 June 2016, the effect on profit or loss as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2016 \$	2015 \$
Change in profit or loss/equity		
Increase in interest rate by 100 basis points	-	-
Decrease in interest rate by 100 basis points	-	-

There is no significant impact of interest rate risk as cash is the only asset with interest rate exposure.

(a) Net fair values

The carrying amount approximates fair value for all financial assets and liabilities.

- Foreign currency risk**

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency.

TIKFORCE LIMITED**Notes to the Financial Statements (cont.)****FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the UK pound. This is limited to the intercompany loans. Carrying amounts for Parent and Australian subsidiaries are in Australian dollars and for the UK subsidiary are in UK pound so there is no day to day exposure to foreign exchange risk.

17 ACQUISITION OF CONTROLLED ENTITY

Prior to the acquisition of Tikforce Operations Pty Ltd by Tikforce Limited, Tikforce Operations Pty Ltd acquired Min-Trak Pty Ltd on the 31st March 2016. The acquisition of Min-Trak was assessed by the Board and it was determined that the acquisition was an asset acquisition rather than a business combination as Min-Trak is not considered to meet the definition of a “business” under AASB 3 *Business Combinations* (AASB 3).

	\$
Consideration:	
Ordinary Shares (i)	900,000
	<u>900,000</u>
Fair value of assets acquired:	
Intangible assets	963,626
Borrowings	<u>(63,626)</u>
	<u>900,000</u>

(i) 9,000,000 shares were issued at a fair value of \$0.10 per share.

Subsequent to the above, Tikforce Limited acquired Tikforce Operations Pty Ltd. The acquisition of Tikforce Operations Pty Ltd (a legal subsidiary) by Tikforce Limited (the legal parent), via the acquisition of special purpose vehicle Misto Pty Ltd, has been deemed to be a reverse acquisition as the substance of the transaction is such that the existing shareholders of Tikforce Operations Pty Ltd as a group obtained the largest portion of the voting rights in the combined entity.

Tikforce Limited was not considered to meet the definition of a business under AASB 3 and, as such, it was concluded that the acquisition of Tikforce Operations Pty Ltd cannot be accounted for in accordance with AASB 3. Therefore, consistent with the accepted practice for transactions similar in nature, the acquisition has been accounted for in the consolidated financial statements of the legal acquirer (Tikforce Limited) as a continuation of the financial statements of the legal acquiree that obtained the largest portion of the voting rights in the combined entity (Tikforce Operations Pty Ltd), together with a share based payment measured in accordance with AASB 2 *Share Based Payments*, which represents a deemed issue of the shares by the legal acquiree (Tikforce Operations Pty Ltd), equivalent to the current shareholders interests in the Tikforce Limited as at acquisition. The excess of the assess value of the share based payments over the net assets of the Company as at the date of transaction has been expensed to the Statement of Profit or Loss and Other Comprehensive Income as a listing fee.

\$

TIKFORCE LIMITED**Notes to the Financial Statements (cont.)**

Consideration:

Ordinary Shares (i)	1,192,923
	<u>1,192,923</u>
Fair value of assets acquired:	
Cash	4,551,833
Receivables	784,903
Financial Assets	3,946
Other assets	385,206
Trade and other payables	(1,277,936)
Financial Liabilities	(499,723)
Funds in advance	(4,470,614)
Convertible notes	(967,500)
	<u>(1,489,885)</u>
Listing fee	<u>2,682,808</u>

- (i) As there was no current market for Tikforce Operations Pty Ltd shares, the fair value of 100% of TikForce Limited was assessed at \$1,192,923 based on 11,929,229 shares at a share price of \$0.10 immediately prior to the acquisition.

18 AUDITORS' REMUNERATION

	CONSOLIDATED	
	2016	2015
	\$	\$
Audits or review of the financial report of the entity and any other entity in the consolidated group		
- Somes Cooke	8,000	-
- Greenwich and Co Audit Pty Ltd	20,000	-
	<u>28,000</u>	<u>-</u>

In addition, Somes Cooke charged \$12,650 for the preparation of the IAR associated with the prospectus for Palace Resources Ltd (now known as Tikforce Limited) in 2015.

19 COMMITMENTS AND CONTINGENCIES

(i) Operating lease commitments

The Group had no future non-cancellable operating lease liabilities at 30 June 2016 (2015: nil).

- Contingent liabilities

On 11 December 2011, Tikforce entered into an Identity Service Master Agreement with Australian Postal Corporation (Australia Post) under which Australia Post would act as an agent for Tikforce for the principal purpose of conducting identity checks on individuals to confirm certain credentials. In this capacity, Australia Post would process the data into the Tikforce platform and collect and receive monies payable by customers on behalf of Tikforce. Australia Post would charge Tikforce a transaction

TIKFORCE LIMITED**Notes to the Financial Statements (cont.)**

fee for the initial transaction, an establishment and set up fee, a management fee and minimum fee based on annual volume.

Currently, Tikforce and Australia Post are in dispute as to the level of competency and completion of actions undertaken and completed by Australia Post and the level of payment that such an application is entitled to.

The Group had no contingent liabilities as at 30 June 2015.

19 EVENTS AFTER THE REPORTING DATE

On or about the 5th of August 2016, the Company announced that the Company was accredited as a National Police Check agency. The Company was appointed as a Regulatory Technology ("RegTech") Company, and as such assists businesses to reduce the time, risks and costs associated with regulatory compliance of employees and contractors. The addition of police checks means that Tikforce is now able to provide a full range of work ready verification services, which saves companies the trouble of going to multiple providers.

The accreditation eliminates the need for our clients to utilise third party providers to satisfy integrity police checks, that many employment opportunities require.

The Company also launched its Digital Work Validation Pack which included the following services and products:

- Real.ID: This identity verification feature was developed in association with **iSignthis Ltd** (ASX: ISX). This is a fully integrated system that utilises the most sophisticated, effective and internationally accepted identity verification process;
- Right-to-Work: The Package includes verification of the person's legal status to work in Australia. The system checks a number of factors of the worker, and cross references this with current Australian government labour rules; and
- Tik.me: TikForce will also include a six-month subscription to its Credentials Passport. This secure online profile allows users to manage and share their credentials with potential employers or customers.

TIKFORCE LIMITED**Directors' Declaration**

In accordance with a resolution of the directors of Tikforce Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company and of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2016 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors



Roland Berzins
Director
30th September 2016

Independent Auditor's Report

To the members of Tikforce Limited

Report on the Financial Report

We have audited the accompanying financial report of Tikforce Limited and its consolidated entities which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of Tikforce Limited.

Directors' Responsibility for the Financial Report

The directors of the Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Independence

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

Opinion

In our opinion:

- (a) the financial report of Tikforce Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of Matter – Inherent uncertainty regarding continuation as a going concern

Without modifying our opinion, we draw attention to Note 1 to the financial statements which outlines that the ability of the Group to continue as a going concern is dependent on the ability of the Group to secure additional funding through either the issue of further shares and/or options.

As a result, there is a material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Our opinion is not qualified in respect of this matter.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 16 of the directors' report for the year ended 30 June 2016. The directors of the Group are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Tikforce Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

Greenwich & Co Audit Pty Ltd
Greenwich & Co Audit Pty Ltd

Nicholas Hollens

Nicholas Hollens
Managing Director

Perth
30 September 2016

Additional Shareholders Information

Additional information required by the Australian Stock Exchange (ASX) listing rules are set out below.

1. Equity Security Holders - Current as at 23 / 09 / 2016

The names of the twenty largest holders of quoted equity securities are listed below.

Ordinary Shares

Ranking	Name	Shares Held	% of total shares
1	Silikonroc Pty Ltd	14,178,750	12.040
2	Kilodelta Pty Ltd <Baumstein Family Trust>	11,626,168	9.874
3	UBS Nominees Pty Ltd	5,000,000	4.246
4	Jason Smith and Danielle Smith	4,950,000	4.203
5	Alitime Nominees Pty Ltd <Honeyham Family A/C>	4,175,858	3.546
6	Seefeld Investments Pty Ltd	4,156,250	3.529
7	Jason Peterson and Lisa Peterson <J & L Peterson S/F A/C>	3,000,000	2.547
8	HSBC Custody Nominees (Australia) Ltd	2,519,900	2.140
9	David Neesham and Pamela Neesham <DC & PC Neesham Super A/C>	1,953,800	1.659
10	Richsham Nominees Pty Ltd	1,700,000	1.444
11	Margadh Stoc Pty Ltd	1,008,866	0.857
12	Merle Smith and Kathryn Smith < The Mini Pension Fund A/C>	1,000,000	0.849
13	Sayer Investments (ACT) Pty Ltd	1,000,000	0.849
14	Allan Jenzen & Elizabeth Janzen <AG & E Jenzen Pty Ltd #2 SF>	1,000,000	0.849
15	Buprestid Pty Ltd <Hanlon Family Super Fund A/C>	1,000,000	0.849
16	Mathew Hayne	1,000,000	0.849
17	Beretta Nickel Pty Ltd	870,000	0.739
18	Ellaz Pty Ltd <The Ripper Family A/c>	850,950	0.723
19	Hampton Court Partners Pty Ltd	800,000	0.679
20	Seefelt Investments Pty Ltd	762,500	0.647
Total of top 20 Shareholders		62,555,042	53.117

Options

Ranking	Name	Shares Held	% of total options
1	GCP Capital Pty Ltd	20,000,000	97.799
2	Seefeld Investments Pty Ltd	450,000	2.201
Total of top 20 Shareholders		20,450,000	100.00%

2. Substantial Shareholders (Current as at 23 / 09 / 2016)

Substantial holders of equity securities in the Company are set out below.

Name	Shares held	% of total shares
Silikonroc Pty Ltd	14,178,750	12.040
Kilodelta Pty Ltd	11,626,168	9.874

3. Distribution of Equity Securities (Current as at 23 / 09 / 2016)

Analysis of numbers of equity security holders by size of holdings:

Class of Security – **Ordinary Shares**

Holding Range	Number of shareholders	Number of shares
1 – 1,000	420	117,619
1,001 – 5,000	117	323,020
5,001 – 10,000	75	634,609
10,001 – 100,000	239	10,687,942
100,001 and over	169	106,004,374
Total	1,020	117,767,564

Class of Security – **Listed Options**

Holding Range	Number of option -holders	Number of option
1 – 1,000	-	-
1,001 – 5,000	-	-
5,001 – 10,000	-	-
10,001 – 100,000	-	-
100,001 and over	2	20,450,000
Total		20,450,000

Enquiries

Shareholders with any enquiries about any aspect of their shareholding should contact the Consolidated Entity's share register as follows:

Advanced Share Registry Services Pty Ltd

Tel: +61 8 9389 8033

Fax: +61 8 9389 7871

Web: www.advancedshare.com.au

Electronic Announcements and Report;

Shareholders who wish to receive announcements made to the ASX, as well as electronic copies of the Annual Report and Half Yearly Report, are invited to provide their e mail address to the Company. This can be done in writing to the Company Secretary.

Removal from the Printed Annual Report mailing list

Shareholders who do not wish to receive the Annual report should advise the Share Registry in writing to remove their names from the mailing list. Those shareholders will continue to receive all shareholder information.

Change of name / address

Shareholders who are Issue Sponsored should advise the Share registry promptly of any changes of name and / or address so that correspondence with them does not go astray. All such changes must be advised in writing and cannot be accepted via telephone. Forms can be found on the share Registry website or obtained by contacting the Share registry.

Shareholders who are in CHESS and Brokered Sponsored should instruct their sponsoring brokers in writing to notify the Share Registry of any changes of name and / or address.

In the case of a name change, the written advice must be supported by documentary evidence.

Consolidation of Shareholdings

Shareholders who wish to consolidate their separate shareholdings into one account should write to the Share Registry or their sponsoring broker, whichever is applicable.

Stock Exchange Listing

The Consolidated Entity's shares are listed on the ASX. Details of share transactions and prices published in the financial papers of the daily capital city newspapers under the code TKF.

Registered Office

The registered office of the Consolidated Entity is: Tikforce Limited
Suite 7A, 435 Roberts Rd
Subiaco WA 6008

Telephone: +61 1800 732 543
Fax : +61 8 9486 1011
Website : www.tikforce.com

Company Secretary: Roland Berzins

Tenement Status

Nil