

Kollakorn Corporation Limited

ABN 41 003 218 862

Appendix 4E

**PRELIMINARY FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2016**

Period 1 July 2015 to 30 June 2016

(Previous Corresponding Period 1 July 2014 to 30 June 2015)

Appendix 4E

Preliminary Financial Report

Name of entity

Kollakorn Corporation Limited

ABN or equivalent company reference	Half yearly (tick)	Preliminary final (tick)	Financial year ended ('current period')
41 003 218 862	<input type="checkbox"/>	<input checked="" type="checkbox"/>	30 June 2016

Results for Announcement to the Market

Results	\$A
Revenues from ordinary activities	Down 19% to 220,065
Loss from ordinary activities after tax attributable to members	Down 53% to (651,306)
Net loss for the period attributable to members	Down 42% to (372,030)
Dividends (distributions)	
	Amount per security
Final dividend	NIL
Previous corresponding period	NIL
Record date for determining entitlements to the dividend	N/A
<p>The Company does not have a dividend reinvestment plan and no dividends are proposed to be declared for the current year.</p>	
<p>Note: This Appendix 4E should be read in conjunction with the Commentary on the Results of the Preliminary Financial Report for the year ended 30 June 2016 and with the accompanying notes to the Appendix 4E.</p> <p>The financial statements are in the process of being audited. The audit report for the year ended 30 June 2016 is likely to contain a disclaimer opinion similar to the audit report issued for the year ended 30 June 2015.</p>	

Commentary on the Results

COMMENTARY ON THE RESULTS

Financial Results

Operating revenue this financial year was again, predominantly from royalties which decreased by 19% from \$272,204 (2015) to \$220,065.

Expenses continued to contract which excluding the share of losses from Kollakorn Co., Ltd (**Kollakorn Thailand**) which was down 29% from \$1,276,834 (2015) to \$901,308.

Net loss from ordinary activities was down 53% to \$651,306, however the net loss attributable to shareholders for the year decreased 42% from a loss of \$644,708 (2015) to a loss this year of \$372,030. This was primarily due to the rollover of existing convertible notes and the reversal of accrued the convertible notes interest totalling \$279,276. The directors will continue to focus on enhancing the balance sheet of the company.

In 2015 the Company reported other factors that occurred in that financial year that would impact the balance sheet:

- Mr R M Sealy agreed that on his retirement as Managing Director on 31 March 2015 that he would, subject to shareholders approval at the forthcoming AGM, convert \$200,000 of the \$577,166 debt owed to him by the Company into 28,571,428 shares (0.7 of a cent) and the balance of \$377,166 would remain as a creditor of the Company until 31 March 2016.; and
- Mr Sevag Chalabian agreed that on his retirement as Chairman on 6 February 2015 he would, subject to shareholders approval at the forthcoming AGM, convert \$84,392 of the \$168,784 debt owed to him by the Company into 12,056,000 shares (0.7 of a cent) and the balance of \$84,392 would remain as a creditor of the Company until 31 March 2016.
- In April 2016 Mr Sevag Chalabian was issued 16,878,400 shares at \$0.005 per share in full satisfaction of the balance outstanding to him.
- The above shares have now been issued, with the balance owed to Mr Sealy, and as such he remains a creditor of the Company.
- The carrying value of our equity accounted investment in Kollakorn Thailand was also reduced by a write down in the balance of the EVR concession relating to the pilot program which was discontinued by the Association of Department of Land Transport. As a result the Thailand auditors have reduced the carrying value to \$Nil. This was however offset by the share of equity accounted income from the Thailand Airport project as previously advised.

Operations

RFID with Break on Removal Technology

During Financial Year 2016 we continued to progress the opportunity with the Malaysian Government for a number of different Border Crossings that they intend to control using BOR RFID technology. The work with our Malaysian Partners has continued and we are now identifying the equipment and layouts for the first of these crossings which will be between Malaysia and Thailand.

3M and Star RFID of Thailand continued their non-exclusive royalty agreements and the Company received a number of additional orders from Israel and from the USA. The funding received from these sources was used to fund the operations of the Company and obviate the need for capital raising.

In Thailand, the roll out of RFID in the 5 Southern Provinces is still under consideration. There are several motivating events that we believe will reenergise this project, namely the replacement of all number plates to comply with AEC regulations and the commencement of the Malaysian Border Crossing project.

We continued to follow opportunities for significant projects in India, the Maldives and Cambodia.

CertainID

The Directors have continued throughout the year to aggressively look for a partner to develop the CertainID patent and commercialise it. In the meantime, the international patent activity is continuing. This is the major cost that the Company faces at this time. Extensive conversations with the CSIRO continues and their participation in developing the technology requires a dollar for dollar funding arrangement. The board has commenced investigating opportunities to locate a suitable partner with which to bring the technology to market.

Management

As stated in the last Annual Report, Mr Richard Sealy, after 5 years of service, retired on 31 March 2015 due to ill health. This was advised to shareholders in November 2014. Mr Sealy agreed to act as temporary CEO until a suitable replacement could be found.

On 1 June 2016, Mr David Matthews commenced in the role of CEO, with Mr Sealy remaining with the Company as COO. Mr Matthews will be working with the Directors on refining the strategy to both continue to grow the RFID BOR business and commercialise CertainID.

Future Strategy

There can be no doubt that the point of difference between our RFID tags and other RFID tags is the patented BOR technology. Customers demand an RFID tag that cannot be tampered with however there are many competing technologies and companies claiming tamper proof designs which sometimes infringe our patent.

The Directors have therefore decided that the better approach is to go directly to market rather than relying solely on channel partners and royalties. It is the intention of the directors to now focus on strategic markets and strategic industries to increase the share of sales of our RFID tags, particularly in Australia where the new CEO is located.

The potential of CertainID is enormous because it can become a major security tool for protecting a person's biometric signature. There are potentially millions of transactions a day that could benefit from CertainID, with vast numbers of appliances connected to the internet. Even a very small amount charged to each appliance and for each transaction using CertainID will become a very large sum of money.

The Directors continue to be focused on bringing value to shareholders by establishing a focused approach to growing the RFID BOR market, and bring CertainID to the market.



David Matthews
Chief Executive Officer
Kollakorn Corporation Limited

Consolidated statement of comprehensive income for the financial year ended 30 June 2016

	Note	Year ended 30 June 2016	Year ended 30 June 2015
		\$	\$
Continuing operations			
Revenue from sale of goods	3	21,621	18,166
Royalty revenue		198,444	254,038
Less cost of goods sold		(10,113)	(12,653)
Gross Profit		209,952	259,551
Share of profit(loss) of associates accounted for using the equity method		40,017	(365,619)
Other income	3	279,309	738,194
Expenses by function:-			
Administration and general		(626,921)	(783,023)
Amortisation of intangible assets		(87,185)	(87,185)
Finance costs		(59,003)	(175,061)
Foreign exchange losses		(3,077)	(128,521)
Technology costs		(125,122)	(103,044)
Loss before tax from continuing operations	3	(372,030)	(644,708)
Income tax expense		-	-
Loss for the year from continuing operations		(372,030)	(644,708)
Loss for the year from discontinued operations		-	-
Net loss for the year		(372,030)	(644,708)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		(7,371)	(30,219)
Total other comprehensive loss for the year		(7,371)	(30,219)
Total comprehensive loss for the year		(379,401)	(674,927)
Loss attributable to:			
Owners of the parent		(372,030)	(644,708)
Total comprehensive loss attributable to:			
Owners of the parent		(379,401)	(674,927)
Earnings per share			
Basic (cents per share)	14	(0.04)	(0.07)
Diluted (cents per share)	14	(0.04)	(0.07)

Notes to the consolidated financial statements are included on pages 7 to 17.

Consolidated statement of financial position

as at 30 June 2016

	Note	30 June 2016 \$	30 June 2015 \$
Current Assets			
Cash assets		35,149	211,009
Trade and other receivables	4	167,529	162,927
Other assets	5	-	900
Total Current Assets		202,678	374,836
Non-Current Assets			
Intangible assets	6	174,371	261,556
Investments in associates	7	5,041,706	5,001,689
Total Non-Current Assets		5,216,077	5,263,245
Total Assets		5,418,755	5,638,081
Current Liabilities			
Trade and other payables	8	1,647,825	1,621,632
Other financial liabilities	9	1,125,526	1,379,276
Provisions	10	94,917	91,777
Total Current Liabilities		2,868,268	3,092,685
Total Liabilities		2,868,268	3,092,685
Net Assets		2,550,487	2,545,396
Equity			
Issued capital	11	50,442,667	50,058,175
Reserves	12	1,777,353	1,784,724
Accumulated losses	13	(49,669,533)	(49,297,503)
Total Equity		2,550,487	2,545,396
Net tangible asset backing per ordinary security		0.23 cents	0.24 cents

Notes to the consolidated financial statements are included on pages 7 to 17.

Consolidated statement of changes in equity**for the year ended 30 June 2016**

	Fully paid ordinary shares	Equity- settled employee benefits reserve	Foreign currency translation reserve	Accumulated losses	Total attributable to members of the parent
	\$	\$	\$	\$	\$
Balance at 1 July 2014	49,541,151	2,096,130	(281,187)	(48,652,795)	2,703,299
Loss for the year	-	-	-	(644,708)	(644,708)
Exchange differences arising on translation of foreign operations	-	-	(30,219)	-	(30,219)
Total comprehensive income for the period	-	-	(30,219)	(644,708)	(674,927)
Issue of shares and options	541,908	-	-	-	541,908
Share Issue Costs	(24,884)	-	-	-	(24,884)
Balance at 30 June 2015	50,058,175	2,096,130	(311,406)	(49,297,503)	2,545,396
Balance at 1 July 2015	50,058,175	2,096,130	(311,406)	(49,297,503)	2,545,396
Loss for the year	-	-	-	(372,030)	(372,030)
Exchange differences arising on translation of foreign operations	-	-	(7,371)	-	(7,371)
Total comprehensive income for the period	-	-	(7,371)	(372,030)	(379,401)
Issue of shares and options	388,784	-	-	-	388,784
Share Issue Costs	(4,292)	-	-	-	(4,292)
Balance at 30 June 2016	50,442,667	2,096,130	(318,777)	(49,669,533)	2,550,487

Notes to the consolidated financial statements are included on pages 7 to 17.

Consolidated statement of cash flows
for the year ended 30 June 2016

	Note	Year ended 30 June 2016 \$	Year ended 30 June 2015 \$
Cash Flows from Operating Activities (inclusive of Goods and Services Tax)			
Receipts from Customers		23,032	23,887
Payments to suppliers and employees		(742,371)	(562,842)
Interest and other costs of finance paid		(7,075)	-
Net cash outflow from operating activities	15	<u>(726,414)</u>	<u>(538,955)</u>
Cash Flows from Investing Activities			
Interest received		33	8,720
Royalties and other investment income received		192,431	246,515
Net cash inflow from investing activities		<u>192,464</u>	<u>255,235</u>
Cash Flows from Financing Activities			
Proceeds from the issue of shares		388,784	541,908
Payment for share issue expenses		(4,292)	(24,884)
Proceeds from the issue of convertible notes		-	110,393
Repayment of borrowings		(26,402)	(215,043)
Net cash inflow from financing activities		<u>358,090</u>	<u>412,374</u>
Net increase/(decrease) in cash held		(175,860)	128,654
Cash at the beginning of the period		<u>211,009</u>	<u>82,355</u>
Cash at the end of the period		<u><u>35,149</u></u>	<u><u>211,009</u></u>

Notes to the consolidated financial statements are included on pages 7 to 17.

1. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance

These consolidated financial statements and notes represent those of Kollakorn Corporation Limited and Controlled Entities (the “consolidated group” or “group”).

The separate financial statements of the parent entity, Kollakorn Corporation Limited, have been presented within this financial report as permitted by the *Corporations Act 2001*.

The financial statements were authorised for issue on 31st August 2016 by the directors of the company.

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 and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board 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.

c) Application of new and revised Accounting Standards

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group’s assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

Standard/Interpretation	Application date (financial years beginning on or after)	Expected Impact
AASB 2014-5 ‘Amendments to Australia Accounting standards arising from AASB 15’	1 January 2018	Unlikely to have a significant impact
AASB 2015-8 ‘Amendments to Australia Accounting standards – Effective Date of AASB 15’	1 January 2017	Unlikely to have a significant impact
AASB 9 ‘Financial Instruments’, and the relevant amending standards	1 January 2018	Unlikely to have a significant impact
AASB 15 ‘Revenue from Contracts with Customers’ and AASB 2014-5 ‘Amendments to Australian Accounting Standards arising from AASB 15’	1 January 2018	Unlikely to have a significant impact
AASB 2014-10 ‘Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2018	Unlikely to have a significant impact

Kollakorn Corporation Limited and Controlled Entities
Notes to the financial statements for the year ended 30 June 2016

AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]	1 January 2017	Unlikely to have a significant impact
AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to [AASB 107]	1 January 2017	Unlikely to have a significant impact
AASB 2016-3 'Amendments to Australian Accounting Standards – Clarifications to AASB 15'	1 January 2018	Unlikely to have a significant impact

2. Segment Reporting

Operating segments are identified on the basis of internal reports about components of the consolidated entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Products and services from which reportable segments derive their revenues

Information reported to the consolidated entity's chief operating decision maker for the purposes of resource allocation and assessment of performance is focused on revenue for each type of good.

The principal categories of customer for these goods are direct sales to major customers, wholesalers, retailers and internet sales. The consolidated entity's reportable segments under AASB 8 are therefore as follows:

- AVI (Automated Vehicle Identification)
- Smart&Secure
- TransitVault & CertainID

No revenue was reported for AVI/EVR while market research is undertaken so the technology is modified to correspond to end-user requirements, and targeted to the right organisations and government departments to maximise its market reach. CertainID, Kollakorn's bio-authentication technology, also earned no revenue in the period as this technology is still in a developmental stage.

Information regarding the consolidated entity's reportable segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies.

Kollakorn Corporation Limited and Controlled Entities
Notes to the financial statements for the year ended 30 June 2016

Segment revenues and results

The following is an analysis of the consolidated entity's revenue and results by reportable operating segment for the periods under review:

	<u>Segment Revenue</u>		<u>Segment profit/(loss)</u>	
	<u>Year ended</u>		<u>Year ended</u>	
	<u>30 Jun 2016</u>	<u>30 Jun 2015</u>	<u>30 Jun 2016</u>	<u>30 Jun 2015</u>
	\$	\$	\$	\$
Continuing operations				
AVI / EVR	21,621	18,166	9,766	17,232
Smart&Secure	198,444	254,038	111,254	63,558
TransitVault & Certain ID	-	-	(4,442)	(603)
Total for continuing operations	<u>220,065</u>	<u>272,204</u>	<u>116,578</u>	<u>80,187</u>
Costs not able to be allocated to one operation			<u>(488,608)</u>	<u>(724,895)</u>
Loss before tax from continuing operations			(372,030)	(644,708)
Income tax expense			<u>-</u>	<u>-</u>
Loss for the period from continuing operations			<u>(372,030)</u>	<u>(644,708)</u>
Consolidated revenue (excluding interest and other revenue) and loss for the year	<u>220,065</u>	<u>272,204</u>	<u>(372,030)</u>	<u>(644,708)</u>

The revenue reported above represents revenue generated from external customers. There were no intersegment sales during the period.

Segment loss represents the loss earned by each segment without allocation of central administration costs and Directors' salaries, share of profits of associates, finance costs, income tax expense, and gains or losses on disposal of associates and discontinued operations. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Kollakorn Corporation Limited and Controlled Entities
Notes to the financial statements for the year ended 30 June 2016

Segment assets and liabilities

The following is an analysis of the consolidated entity's assets and liabilities by reportable operating segment for the periods under review:

	Assets		Liabilities	
	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015
	\$	\$	\$	\$
AVI / EVR	5,065,592	5,056,512	-	-
Smart&Secure	254,077	337,381	3,010	-
TransitVault & Certain ID	-	-	166,084	160,592
Total segment assets and liabilities	5,319,669	5,393,893	169,094	160,592
Unallocated assets and liabilities	99,086	244,187	2,699,174	2,932,093
Consolidated total assets and liabilities	5,418,755	5,638,080	2,868,268	3,092,685

Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

Geographical information

The consolidated entity operates in three principal geographical areas – Australia, Thailand and the USA.

The consolidated entity's revenue from external customers and information about its non-current segment assets (plant and equipment, and leasehold improvements) by geographical location are detailed below:

	Revenue from external customers		Non-current assets*	
	Year ended		Year ended	
	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015
	\$	\$	\$	\$
USA	125,059	148,609	174,371	261,556
Israel	8,161	10,275	-	-
Malaysia	-	7,891	-	-
Thailand	86,845	105,429	-	-
	220,065	272,204	174,371	261,556

*Non-current assets excludes investment in associates

Kollakorn Corporation Limited and Controlled Entities
Notes to the financial statements for the year ended 30 June 2016

3. Loss from continuing operations

	Consolidated	
	2016	2015
(a) Revenue		
Revenue consisted of the following items:	\$	\$
Sale of goods	21,621	18,166
Royalties and license fees	198,444	254,038
Total revenues	<u>220,065</u>	<u>272,204</u>

(b) Other Income

Other income consisted of the following items:

Interest Income	33	8,719
Gain on extinguishment of debts	279,276	729,475
Total other income	<u>279,309</u>	<u>738,194</u>

(c) Expenses

The loss before income tax includes the following expenses:

Interest paid to other entities	33,477	895
Interest accrued on convertible notes	25,526	174,166
Employee benefits	235,000	440,250
Foreign exchange (gains)/losses	3,077	128,521

4. Current trade and other receivables

Trade receivables	64,056	67,979
Goods and services tax receivable	5,615	3,165
Other receivables	97,858	91,783
	<u>167,529</u>	<u>162,927</u>

5. Other current assets

Prepayments	-	900
	<u>-</u>	<u>900</u>

6. Intangible assets

Cost of intangible assets	435,926	435,926
Accumulated Amortisation	261,555	174,370
	<u>174,371</u>	<u>261,556</u>

Kollakorn Corporation Limited and Controlled Entities
Notes to the financial statements for the year ended 30 June 2016

7. Investment in Associates

Details of the Group's associates are as follows.

Name of associate	Principal activity	Place of incorporation and operation
Kollakorn Co Ltd	IT Infrastructure	Thailand

Kollakorn Corporation Ltd acquired a 19.90% interest in Kollakorn Co. Ltd (Kollakorn Thailand) on 30 June 2011, purchased an additional 8.80% in 2012, 2.49% in 2013 and 2.04% in 2014. Kollakorn Co., Limited (Kollakorn Thailand) offered all shareholders a pro rata rights issue in December 2015, however KKL elected not to participate. All other shareholders in Kollakorn Thailand have participated and the shares so issued have been called as to 25%. The effect of KKL's shareholding in Kollakorn Thailand was to reduce it to 26.67% as at 31 December 2015. The total purchase price for the 26.67% interest in this company to date has been \$6,461,652 (30 June 2015: \$6,461,652). The carrying amount in the statement of financial position of the consolidated entity's equity interest in Kollakorn Thailand at 30 June 2016 is \$5,041,706 (30 June 2015: \$5,001,689). The company's share of accumulated losses in Kollakorn Thailand at 30 June 2016 is \$1,419,945 (30 June 2015: \$1,459,963).

Pursuant to a resolution passed by the shareholders of Kollakorn, Kollakorn's former Managing Director, Richard Sealy, who was appointed to the Board of Kollakorn Thailand has the right to cast 1 vote at board meetings of Kollakorn Thailand. He is one of 5 Directors of Kollakorn Thailand.

As Kollakorn Corporation Limited holds 26.67% of the equity shares of Kollakorn Thailand, the Directors of Kollakorn Corporation Limited have adopted Australian Accounting Standard AASB 128 – Equity Accounting and equity accounted for the investment in Kollakorn Thailand. The Directors of Kollakorn Corporation Limited do not however believe that they have control over the day to day running of Kollakorn Thailand.

Summarised financial information in respect of the Group's associates is set out below.

	30 Jun 2016	30 Jun 2015
	\$	\$
Total assets	5,165,187	7,121,196
Total liabilities	2,267,365	4,331,546
Net assets	<u>2,897,822</u>	<u>2,789,650</u>
Group's share of net assets of associates	<u>772,733</u>	<u>927,001</u>

	Year ended	Year ended
	30 Jun 2016	30 Jun 2015
	\$	\$
Total revenue	13,594,215	33,072
Total profit(loss) for the year	<u>150,070</u>	<u>(1,100,267)</u>
Group's share of profit(loss) of associates	<u>40,017</u>	<u>(365,619)</u>

	2016	2015
	\$	\$
8. Current trade and other payables		
Trade payables	1,366,122	1,380,059
Sundry creditors and accruals	281,703	241,573
	<u>1,647,825</u>	<u>1,621,632</u>

Kollakorn Corporation Limited and Controlled Entities
Notes to the financial statements for the year ended 30 June 2016

	Consolidated	
	2016	2015
9. Other financial liabilities		
Convertible note facility	1,125,526	1,379,276
	<u>1,125,526</u>	<u>1,379,276</u>

10. Current provisions

Employee benefits	94,917	91,777
	<u>94,917</u>	<u>91,777</u>

11. Issued capital

	2016	2015
	\$	\$
1,013,481,663 fully paid ordinary shares (2015: 931,975,805)	50,442,667	50,058,175

	Number	\$
Balance as at 30 June 2014	855,201,739	49,538,501
Issue on 30 September 2014	1,500,000	15,000
Issue on 22 November 2014	28,571,428	200,000
Issue on 28 April 2015	43,051,200	301,358
Issue on 22 May 2015	3,651,438	25,550
Costs associated with the issue of shares	-	(24,884)
Total shares on issue as at 30 June 2015	<u>931,975,805</u>	<u>50,055,525</u>
Add: Shares on escrow	1,088,347	-
Add: Listed options previously issued	-	2,650
Total Ordinary shares as at 30 June 2015	<u>933,064,152</u>	<u>50,058,175</u>
Balance as at 30 June 2015	931,975,805	50,055,525
Issue on 8 November 2015	40,627,428	284,392
Issue on 25 February 2016	24,000,000	-
Issue on 6 April 2016	16,878,400	84,392
Costs associated with the issue of shares	-	(4,292)
Total shares on issue as at 30 June 2016	<u>1,013,481,633</u>	<u>50,420,017</u>
Add: Shares on escrow	1,088,347	-
Add: Listed options previously issued	-	2,650
Add: Capital received in advance	-	20,000
Total Ordinary shares as at 30 June 2016	<u>1,014,569,980</u>	<u>50,442,667</u>

Kollakorn Corporation Limited and Controlled Entities
Notes to the financial statements for the year ended 30 June 2016

11. Issued capital (continued)

Unlisted Share Options

The consolidated entity has an ownership based remuneration scheme for directors and executives under which share options are issued at the discretion of the Board. The consolidated entity also issued unlisted options in accordance with convertible note facility agreements entered into during the year ended 30 June 2016.

	2016	2015
	Number	Number
Balance at the beginning of the financial year	118,000,000	135,000,000
Granted during the financial year	66,000,000	-
Exercised during the financial year	-	-
Cancelled during the financial year	(108,000,000)	-
Expired during the financial year	(5,000,000)	(17,000,000)
Balance at the end of the financial year	71,000,000	118,000,000

Unlisted share options outstanding as at 30 June 2016 were

<u>Expiry Date</u>	<u>Exercise Price Per Option</u>	<u>Number</u>
5/12/2016	7.5 cents	5,000,000
31/08/2018	0.75 cents	6,000,000
31/08/2018	0.75 cents	6,000,000
31/08/2018	0.75 cents	6,000,000
31/08/2018	0.75 cents	3,000,000
31/08/2018	0.75 cents	3,000,000
31/08/2018	0.75 cents	6,000,000
31/08/2018	0.75 cents	24,000,000
31/08/2018	1.25 cents	1,500,000
31/08/2018	1.25 cents	750,000
31/08/2018	1.25 cents	1,500,000
31/08/2018	1.25 cents	8,250,000
		71,000,000

Kollakorn Corporation Limited and Controlled Entities
Notes to the financial statements for the year ended 30 June 2016

	Consolidated	
	2016	2015
12. Reserves	\$	\$
Employee equity-settled benefits reserve	2,096,130	2,096,130
Foreign currency translation	(318,777)	(311,406)
	<u>1,777,353</u>	<u>1,784,724</u>
Employee equity-settled benefits reserve		
Balance at the beginning of the financial year	2,096,130	2,096,130
Share-based payment	-	-
Balance at the end of the financial year	<u>2,096,130</u>	<u>2,096,130</u>
Foreign currency translation		
Balance at the beginning of the financial year	(311,406)	(281,187)
Deficit from translation of financial statements of foreign operations	(7,371)	(30,219)
Balance at the end of the financial year	<u>(318,777)</u>	<u>(311,406)</u>
13. Accumulated Losses		
Balance at the beginning of the financial year	(49,297,503)	(48,652,795)
Net loss attributable to members of the parent entity	(372,030)	(644,708)
Balance at the end of the financial year	<u>(49,669,533)</u>	<u>(49,297,503)</u>
14. Earnings per share		
	Cents per share	Cents per share
Basic earnings per share	(0.04)	(0.07)
Diluted earnings per share	(0.04)	(0.07)
The earnings and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:		
Earnings	(372,030)	(644,708)
Weighted average number of shares	957,046,083	882,454,047

Kollakorn Corporation Limited and Controlled Entities
Notes to the financial statements for the year ended 30 June 2016

15. Reconciliation of Net Cash provided by Operating Activities to Loss after Income Tax	Consolidated	
	2016	2015
	\$	\$
Loss from operating activities after income tax	(372,030)	(644,708)
Add (less) non-cash flows included in loss		
Depreciation & Amortisation of non-current assets	87,185	87,185
Gain on extinguish of debts	(252,908)	(729,475)
Convertible note interest accrued	25,526	174,165
Investment revenue recognised in the profit & loss	(198,444)	(262,757)
Share of (gains)/losses of associates	(40,017)	365,619
Foreign currency loss on translation of net assets	444	110,856
Changes in operating assets and liabilities		
Decrease (increase) in trade and other receivables	(4,602)	(1,802)
Add: Investment revenue included in trade debtor movement	-	7,523
Decrease (increase) in other current assets	(900)	(83)
Increase (decrease) in trade and other payables	26,193	337,570
Increase (decrease) in provisions	3,139	16,952
Net cash outflow from operating activities	(726,414)	(538,955)

16. Contingent Liabilities

The shareholders have approved the rollover of the existing convertible notes and as a result this debt obligation has been extended to 31 August 2018. Under this arrangement, the Company will be issuing 31,500,000 shares, 15,750,000 options exercisable at 1.25 cents and 69,000,000 options exercisable at 0.75 of a cent.

The Company has issued 24,000,000 in shares, 12,000,000 options exercisable at 1.25 cents and 54,000,000 options exercisable at 0.75 of a cent under listing rule 7.1.

A further 7,500,000 in shares, 3,750,000 in unlisted options exercisable at 1.25 cents and 15,000,000 in unlisted options exercisable at 0.75 of a cent will subject to approval of Annual General Meeting be issued.

17. Events Subsequent to the Reporting Date

No events have occurred subsequent to the end of the financial reporting period, which requires adjustment in these financial statements.