

VERATIN LTD

ABN 89 613 404 612

Financial report for the half year ended 31 December 2021

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VERATIN LTD DIRECTORS' REPORT

DIRECTORS' REPORT

Your directors submit the financial report of Veratin Limited (the "Company" or "Veratin") for the half-year ended 31 December 2021. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

DIRECTORS

The names of directors who held office during or since the end of the half year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Ramiz Boulos	Executive Chairman
David Vincent	Non-executive Director
Giuseppe Lenzo	Non-executive Director

REVIEW OF OPERATIONS

Veratin's activities during the half-year included expending in TV advertising (Channel 9 Perth audience), social media and other mediums to achieve a few objectives. The first objective was to promote the company's product, Verigrow, and increase sales. The second objective was to raise awareness of the company itself as the company prepared for its third objective, an IPO on the NSX. The Company featured on ABC Landline in November 2021, reaching what the Directors believe is a tipping point for the Company. Veratin is pleased to report that the Company has been successful in meeting all of its objectives in the period.

Over the same period the Company invested in the fabrication of a second reactor to increase the Company's manufacturing capacity as it prepares for rapid growth.

EVENTS SUBSEQUENT TO BALANCE DATE

The Company floated on the NSX on the 14th of February 2022 and raised capital of \$771,500 from investors. The directors are not aware of any matter or circumstance that has arisen since the end of the period to the date of this report that has significantly affected or may affect:

- (i) The operations of the company and the entities that it controls
- (ii) The results of those operations
- (iii) The state of affairs of the company in subsequent years.

CORPORATE

There were 1,667,984 shares issued during the period.

FINANCIAL POSITION

The Company had cash funds on hand of \$4,070 at 31st December 2021 (30 June 2021: \$13,851).

PRINCIPAL ACTIVITIES

Veratin's principal activity is to undertake the development and commercialisation of high value products from waste wool.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 can be found on page 5 and forms part of this report.

The Company has not, during or since the financial period, in respect of any person who is or has been an officer or auditor of the Company or a related body corporate:

VERATIN LTD DIRECTORS' REPORT

- indemnified or made any relevant agreement for indemnifying against a liability, including costs and expenses in successfully defending legal proceedings; or
- paid or agreed to pay a premium in respect of a contract insuring against a liability for the costs or expenses to defending legal proceedings.

Signed in accordance with a resolution of the Board of Directors.



Ramiz Boulos
Director

16 March 2022

16 March 2022

Board of Directors
Veratin Ltd
Unit 1, 14A Hines Road,
O'Connor, WA 6163

Dear Directors

RE: VERATIN LTD

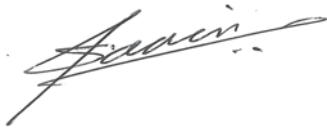
In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Veratin Ltd.

As Audit Director for the review of the financial statements of Veratin Ltd for the half-year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(An Authorised Audit Company)



Samir Tirodkar
Director

VERATIN LTD
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

	Notes	DEC 2021 \$	DEC 2020 \$
Revenue	2	35,163	20,292
Other income	4	18,182	48,981
Materials and supplies		(13,504)	-
Advertising and promotions		(42,645)	(8,688)
Legal, consulting, accounting and audit fees		(38,389)	(14,553)
Employee benefits expenses		(39,787)	(10,100)
Occupancy expenses		(9,861)	(9,892)
Finance costs		(299)	(0)
Depreciation		(1,692)	(1,742)
Other expenses		(59,219)	(21,488)
(Loss)/profit before income tax		(152,051)	2,810
(Loss)/profit after tax		(152,051)	2,810
Other comprehensive Income			
<i>Items that may be reclassified to profit and loss</i>		-	-
<i>Items that will not be reclassified to profit or loss</i>		-	-
Total comprehensive (loss)/profit for the half year		(152,051)	2,810
(Loss)/profit per share, in cents		(.1758)	.0033
Diluted (Loss)/profit per share, in cents		(.1758)	.0033

The statement of profit or loss and other comprehensive income should be read in conjunction with the notes to the financial statements.

VERATIN LTD
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Notes	DEC 2021 \$	JUN 2021 \$
Current assets			
Cash and cash equivalents	5	4,070	13,851
Trade and other receivables	6	10,732	5,332
Prepayments		2,948	6,295
Total current assets		<u>17,750</u>	<u>25,478</u>
Non-current assets			
Property, plant and equipment	7	34,256	20,839
Intangible assets	8	75,915	75,594
Total non-current assets		<u>110,171</u>	<u>96,433</u>
Total assets		<u>127,921</u>	<u>121,911</u>
Current liabilities			
Trade and other payables	9	42,194	11,938
Loans payable	10	2,375	10,525
Provision		5,716	-
Total current liabilities		<u>50,285</u>	<u>22,463</u>
Net assets		<u>77,636</u>	<u>99,448</u>
Contributed equity	11	608,988	478,749
Accumulated losses		(531,352)	(379,301)
Total Equity		<u>77,636</u>	<u>99,448</u>

The statement of financial position should be read in conjunction with the notes to the financial statements.

VERATIN LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

	Contributed Equity	Accumulated Losses	Total
	\$	\$	\$
Balance as at 1 July 2021	478,749	(379,301)	99,448
(Loss) for the half year	-	(152,051)	(152,051)
Total comprehensive (loss) for the half year	-	(152,051)	(152,051)
Issue of shares (net of costs)	130,239	-	130,239
Balance as at 31 December 2021	608,988	(531,352)	77,636
 Balance as at 1 July 2020	 400,849	 (308,754)	 92,095
Profit for the half year	-	2,810	2,810
Total comprehensive profit for the half year	-	2,810	2,810
Issue of shares (net of costs)	36,300	-	36,300
Balance as at 31 December 2020	437,149	(305,944)	131,205

The statement of changes in equity should be read in conjunction with the notes to the financial statements.

VERATIN LTD
STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

	Notes	DEC 2021 \$	DEC 2020 \$
Cash flow from operating activities			
Receipts from customers		30,174	20,292
Payments to suppliers and employees		(154,386)	(64,182)
R&D rebate received		17,771	15,005
EMD grant received		-	23,976
Cash flow boost received		-	10,000
Net cash (outflow)/inflow from operating activities		(106,441)	5,091
Cash flow from investing activities			
Payments for property, plant and equipment		(14,945)	-
Payments for intangible assets		(485)	(6,535)
Net cash used in investing activities		(15,430)	(6,535)
Cash flow from financing activities			
Repayment of borrowings		(2,850)	(11,763)
Issue of shares		115,239	36,300
Interest paid		(299)	-
Net cash provided by financing activities		112,090	24,537
Net (decrease)/increase in cash and cash equivalents		(9,781)	23,093
Cash and cash equivalents at beginning of the year		13,851	4,215
Cash and cash equivalents at end of year	5	4,070	27,308

The statement of cash flows should be read in conjunction with the notes to the financial statements

VERATIN LTD
CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

1: Summary of significant accounting policies

a) Basis of preparation

(i) General purpose financial report

The financial report is a general-purpose financial report that has 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.

These general purpose condensed financial statements for the half-year ended 31 December 2021 have been prepared in accordance with AASB 134 Interim Financial Reporting as issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with IAS 34 "Interim Financial Reporting".

The half-year financial report does not include all of the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report.

The half-year financial report should be read in conjunction with the Annual Financial Report of the Company for the year ended 30 June 2021.

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for some assets which, as noted, have been written down to fair value as a result of impairment. Unless otherwise stated, the accounting policies adopted are consistent with those of the prior year.

(iii) New Accounting Standards and interpretations adopted by the Company

The company has adopted all of the new or amended accounting standards and interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period.

Any new or amended Accounting Standards and interpretations that are not yet mandatory have not been early adopted.

(iv) Going Concern Assessment

The financial report has been prepared on a going concern basis, which assumes the Company will be able to realise its assets and discharge its liabilities in the normal course of business. The Company's results do give rise to a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern.

Management has considered the impacts of Government restrictions in response to the COVID-19 pandemic. Despite the measures taken impacting how the Company and its employees operate, the Company has continued to trade and has been able to meet ongoing customer contract obligations, and source new sales contracts. Management has fully considered the impact of the pandemic when considering the Company's ability to continue as a going concern. In addition, subsequent to financial period, the Company has successfully listed in NSX and raised capital of \$771,500 from the IPO.

The ability of the Company to continue as a going concern and to pay its debts as and when they become due and payable is dependent upon the Company earning sufficient revenue, ensuring that they continue to minimise their costs, and manage working capital effectively. The directors have a reasonable expectation that the business will be able to do this, and therefore have adopted the going concern basis in preparing this financial report.

VERATIN LTD
CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

(v) Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Maker ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

b) Revenue recognition

AASB 15 establishes principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers and requires application of a five-step process to identify the contract with the customer, identify performance obligations in the contract, determine transaction price, allocate the transaction price to the performance obligations and recognise revenue when performance obligations are satisfied.

Revenue is recognised for the major business activities as follows:

(i) Sale of goods

Revenue from sale of goods is recognised upon the delivery of goods to customers.

(ii) Rendering of services and commission

Revenue from rendering of services and commission is recognised upon delivery of services to customers.

(iii) Interest income

Interest income is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(iv) Research and development rebates, and other government incentives

Research and development rebates and other government incentives are recognised on a cash receipts basis.

c) Critical accounting estimates and judgements

• **COVID-19**

The impact of COVID-19 on the global economy and how governments, businesses and consumers will respond is uncertain. This uncertainty is reflected in the Company's assessment of expected credit losses, which is subject to a number of management estimates and judgements.

• **Deferred taxation**

Under normal circumstances, the benefits of deferred tax losses not brought to account can only be realised in the future if:

- assessable income is derived of a nature, and of an amount sufficient to enable the benefit from the deductions to be realised
- conditions for deductibility imposed by law are complied with; and
- no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

The directors on a regular basis will assess the recognition of the deferred tax assets.

• **Income tax**

The Company is subject to income taxes in Australia. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

VERATIN LTD
CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

Diversity in practice exists around the accounting treatment of refundable R&D incentives, because the Australian Accounting Standards do not specifically address R&D incentives. The Company has decided to record R&D refundable tax incentives as other income.

• **Revenue from contracts with customers**

Key judgements in the recognition of revenue from contracts with customers include the identification of performance obligations within the contracts, allocation of the transaction price within the contract to the identified performance obligations, treatment of the upfront project fees and treatment of any variable consideration subsequent to initial commencement.

2: Revenue from contracts with customers

	31 DEC 2021	31 DEC 2020
	\$	\$
Sales of goods	35,163	20,292
	<u>35,163</u>	<u>20,292</u>

3. Segment Reporting

The Company operates in one geographic segment, being Australia.

4: Other income

	31 DEC 2021	31 DEC 2020
	\$	\$
Other Income		
• R&D rebates	17,771	15,005
• EMD grant	-	23,976
• Cash flow boost	-	10,000
• Others	411	-
	<u>18,182</u>	<u>48,981</u>

5: Cash and cash equivalents

	31 DEC 2021	30 JUN 2021
	\$	\$
Cash at bank and on hand	4,070	13,851
	<u>4,070</u>	<u>13,851</u>

VERATIN LTD
CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

6: Trade and other receivables

	31 DEC 2021	30 JUN 2021
	\$	\$
Current		
Trade receivables	2,813	843
GST receivables	4,547	1,989
Other receivables	2,500	2,500
Loan – Related parties	872	-
	10,732	5,332

Trade and other receivables are non-interest bearing and are generally settled on a 30-60 days term.

7: Property, plant and equipment

	31 DEC 2021	30 JUN 2021
	\$	\$
Vehicles – at cost	3,084	3,084
Vehicles - accumulated depreciation	(1,258)	(995)
Vehicles - carrying value at the end of the period/ year	1,826	2,089
Plant & equipment - at cost	39,577	24,632
Plant & equipment - accumulated depreciation	(7,147)	(5,882)
Plant & equipment - carrying value at the end of the period/ year	32,430	18,750
Total property, plant & equipment	34,256	20,839

8: Intangible assets

	31 DEC 2021	30 JUN 2021
	\$	\$
Patents		
Cost	74,476	74,476
Accumulated amortisation	(491)	(327)
	73,985	74,149
Trademark	1,930	1,445
Total	75,915	75,594

9: Trade and other payables

	31 DEC 2021	30 JUN 2021
	\$	\$
Current		
Trade payables	22,109	5,811
Sundry payables and accrued expenses	20,085	6,127
	42,194	11,938

Trade payables are non-interest bearing and are generally settled on 30-60 day terms. Trade and other payables that are past due as at 31 December 2021 amounted to nil (2021: Nil).

VERATIN LTD
CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

10: Loans payable

	31 DEC 2021 \$	30 JUN 2021 \$
<i>Current</i>		
Loans payable to related parties (i)	-	5,300
Loans payable to third party (ii)	2,375	5,225
	<u>2,375</u>	<u>10,525</u>

(i) During 2021 the following loans were provided by related parties of the Company;

- In financial year 2021, an additional \$20,400 (2020: \$37,100) was provided by shareholder, Boulos & Cooper Trust. No interest was applied to the loan. \$11,250 from prior year loan and \$10,200 was converted to issued shares in the Company on 14 August 2020 and 2 June 2021 respectively.
- In financial year 2021, \$112 was provided by director, Ramiz Boulos. No interest applied to the loan. The entire loan was offset against the FBT employee contribution during the year.
- During the half-year period, the Company converted into shares the outstanding loans from related parties of \$5,300.

(ii) Loans payable to a third party is for insurance funding. The terms of the finance arrangement are as follows:

- Amount financed: \$5,700
- Start date: 16 June 2021
- Expiry date: 15 June 2022
- Monthly repayments of \$524.91
- Finance term: 12 months
- Interest rate: 10.51%

11: Contributed equity

	31 DEC 2021 \$	30 JUN 2021 \$
Share Capital		
Fully paid Ordinary Shares	<u>608,988</u>	<u>478,749</u>
<i>Movement in Share Capital</i>		
At beginning of the period	478,749	400,849
Shares issued during the period/ year	130,239	77,900
At end of the period/ year	<u>608,988</u>	<u>478,749</u>
	31 DEC 2021 Number	30 JUN 2021 Number
Shares on issue at beginning of period	85,683,750	22,355
Shares issued during the period (i)	1,667,984	409
Shares on issue at end of the period	<u>87,351,734</u>	<u>22,764</u>

(i) The Company issued 187,500 shares at \$0.08 per share to convert the loan from related parties of \$5,300 and as payment in lieu of their services which amounted to \$9,700.

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

At shareholder's meetings, each ordinary share is entitled to one vote when a poll is called.

VERATIN LTD
CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

12: Commitments and contingencies

The Company has no commitments at period end.

The Company has no contingent liabilities.

13: Related Party Transactions

(a) Key Management Personnel Compensation

The aggregate compensation paid to the Director of the Company is as follows:

	31 DEC 2021	31 DEC 2020
	\$	\$
Wages and salaries	36,170	28,517
Superannuation	3,617	2,619
Provision for Annual Leave	5,716	-
	<u>45,503</u>	<u>31,136</u>

14. Events subsequent to period end

The Company floated on the NSX on the 14th of February 2022 and raised capital of \$771,500 from investors. The directors are not aware of any matter or circumstance that has arisen since the end of the period to the date of this report that has significantly affected or may affect:

- (i) The operations of the company and the entities that it controls
- (ii) The results of those operations
- (iii) The state of affairs of the company in subsequent years.

VERATIN LTD
DIRECTOR'S DECLARATION

In accordance with a resolution of the director of Veratin Ltd, the director of the Company declares that:

1. The financial statements and notes there to:
 - a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations, and
 - b. give a true and fair view of the Company's financial position as at 31 December 2021 and of its performance for the half-year then ended.
2. In the director's opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Director.



Ramiz Boulos
Director

Dated this the 16 March 2022

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
VERATIN LTD**

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Veratin Ltd, which comprises the statement of financial position as at 31 December 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Veratin Ltd does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of Veratin Ltd's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* has been given to the directors of the Company on 16 March 2022.

Responsibility of the Directors for the Financial Report

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



Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(An Authorised Audit Company)

Stantons International Audit and Consulting Pty Ltd
Samir

Samir Tirodkar
Director

West Perth, Western Australia
16 March 2022