

VGI Health Technology Limited

ABN 35 111 082 485

(Formerly: Azure Health Technology Limited)

Annual Report

for the year ended

30 June 2021

CONTENTS

CORPORATE DIRECTORY	3
PRINCIPAL ACTIVITIES	4
REVIEW OF OPERATIONS	4
DIRECTORS' REPORT	5
CORPORATE GOVERNANCE STATEMENT	13
AUDITOR'S INDEPENDENCE DECLARATION	21
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	22
STATEMENT OF FINANCIAL POSITION	23
STATEMENT OF CASH FLOWS	24
STATEMENT OF CHANGES IN EQUITY	25
DIRECTORS' DECLARATION	49
INDEPENDENT AUDIT REPORT	50
SUPPLEMENTARY INFORMATION	54

CORPORATE DIRECTORY

VGI HEALTH TECHNOLOGY LIMITED

ABN 35 111 082 485

Directors

Louis James Panaccio	Non-Executive Chairman
Glenn Tong	Managing Director
Steven Yu	Non - Executive Director

Company Secretary

Catriona Glover

Registered Office and Principal Place of Business

Level 45, Suite 03,
19-29 Martin Place,
Sydney, NSW, 2003

Ph: (02) 8279 8908

Postal Address

VGI Health Technology Limited
Level 45, Suite 03,
19-29 Martin Place,
Sydney, NSW, 2003

Share Register

Link Market Services
Level 12, 680 George Street
SYDNEY, NSW, 2000
Ph: 1300 554 474

Auditors

Hall Chadwick
Level 40, 2 Park Street
SYDNEY, NSW, 2000

Securities Exchange Listing

National Securities Exchange
(Home Branch – Sydney)
NSX Code: VTL

PRINCIPAL ACTIVITIES

During the year ended 30 June 2021 the principal activity of VGI Health Technology Limited (NSX:VTL) is to research, develop, distribute and market a range of health and therapeutic products and technologies, including innovative drugs and wellbeing supplements.

REVIEW OF OPERATIONS

VTL was able to complete its first manufacturing run of finished nutraceutical products for the US market and advance its clinical development program to the stage where both its Phase II Clinical Study for Non-Alcoholic Fatty Liver Disease (NAFLD)/Non-Alcoholic Steatohepatitis (NASH) and Pancreatic Adenocarcinoma (Pancreatic Cancer) are expected to submit applications to Human Research Ethics Committees (HRECs) in H2 of 2021.

The Company completed its Initial Public Offer, raising equity of approximately \$2.5 million by issuing approximately 12,500,000 ordinary shares at \$0.20 each, and subsequently listing on NSX on 28 May 2021.

During FYE 30 June 2021, VTL strengthened its intellectual property rights position and the Company now has granted patent rights in major markets such as the US, Japan, the EU, People's Republic of China and Australia. The Company's two patented nutraceutical products, NE1-Elite® which reduces Delayed Onset Muscle Soreness and improves muscle recovery after exercise and NE1-Heart® which maintains heart health and increases antioxidant levels in the body, were listed as Listed Complementary Medicines on the Therapeutic Goods Administration's Australian Register of Therapeutic Goods. In conjunction with an Australian Clinical Research Organisation, DataPharm Australia Pty Ltd, VTL has progressed its two Phase II Clinical Studies in NAFLD/NASH and Pancreatic Cancer and the Company expects to appoint the Lead Clinical Study Sites and submit HREC applications in H2 of 2021.

VTL completed a pre-IPO round of capital raising undertaken from June to September 2020 through the issue of convertible notes to investors in Australia, which raised a total of \$3,453,268.

Mr Gregory Starr resigned as a non-executive director of the Company on 23 September 2020.

Mr Andrew Bristow resigned as a non-executive director of the Company on 18 February 2021.

Just prior to the successful listing on NSX, the Company converted \$3,278,268 of the Convertible Notes into ordinary shares and the balance of the Convertible Notes were converted in early June 2021.

VTL welcomed a cornerstone investor, VGI Big Bang Pty Ltd, as part of its successful listing on NSX.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On 9 July 2021, following shareholder approval, the company announced that the company's name had changed to VGI Health Technology Limited (formerly Azure Health Technology Limited) with the Australian Securities and Investments Commission. The effective date of change for the NSX was the commencement of trading on Wednesday 14 July 2021.

Other than the foregoing, no other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

DIRECTORS' REPORT

Your Directors submit the annual financial report of VGI Health Technology Limited for the financial year ended 30 June 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 the financial year and up to the date of this Report are as follows. Directors were in office for this entire period unless otherwise stated.

Name	Appointed
Louis James Panaccio	Non-Executive Chairman
Glenn Tong	Managing Director (Appointed Director 19 December 2019, Managing Director from 11 June 2020)
Steven Jiayi Yu	Non-Executive Director
Andrew David Bristow	Non-Executive Director (Appointed 19 June 2020, resigned 18 February 2021)
Gregory Starr	Non-Executive Director and Company Secretary (Resigned as Non-Executive Director on 23 September 2020 and as Company Secretary 25 May 2020)

Information on Directors**Mr Louis James Panaccio****Non-Executive Chairman****Appointed 19 December 2019**

Mr Panaccio is a successful healthcare businessman with extensive experience progressing companies from concept to commercialisation. Mr Panaccio possesses more than 30 years' executive leadership experience in healthcare services and life sciences, and more than 25 years board-level experience.

Mr Panaccio is currently a non-executive director of an ASX50 company and one of the world's largest medical diagnostics companies, Sonic Healthcare Limited, where he has served since 2005. In addition, Lou is a non-executive director of Unison Housing Corporation Limited, and a non-executive director of ASX-listed biotechnology companies Avita Medical Limited (ASX:AVH) (where he is Chairman) and Rhythm Biosciences Limited (ASX:RHY).

Mr Panaccio also served in executive and board roles with Melbourne Pathology Group, Monash IVF Group (ASX:MVF), Primelife Corporation Limited and other private entities.

Dr. Glenn Tong**Managing Director****Appointed 19 December 2019**

Mr Tong has over 20 years' executive management and board experience in rapid growth biotech companies where a core focus has been the management of product development in highly regulated environments including: pharmaceuticals, diagnostics and genetically modified crops and pastures. Glenn has raised and managed over \$100 million in equity capital and collaborative R&D funding. Past roles include: CEO and Managing Director of Gordagen Pharmaceuticals Pty Ltd (in liquidation), the Molecular Plant Breeding Cooperative Research Centre and Molecular Plant Breeding Pty Ltd., and AgGenomics Pty Ltd. (a subsidiary of Genetic Technologies Limited, (ASX:GTG)). Glenn has a Bachelor of Science (Honours) and PhD (Chemistry) from the University of Melbourne and the Howard Florey Institute of Experimental Physiology and Medicine and is a Graduate and Fellow of the Australian Institute of Company Directors.

Mr. Steven Jiayi Yu**Executive Director****Appointed 28 March 2019**

Mr Yu has extensive experience in mergers and acquisitions, capital raisings and cross border transactions with ASX companies. He was previously the Chief Executive Officer of ASX listed mining company Anchor Resources Limited (ASX:AHR). As a practicing lawyer he has worked for Norton Rose Fulbright in Beijing and Melbourne, and Deacons and Maddocks Lawyers in Melbourne. Mr Yu holds a Bachelor of Laws and Commerce from the University of Melbourne, Master of Laws from Boston University, an Executive MBA from Columbia Business School and a Doctor of Philosophy from the University of Technology Sydney.

DIRECTORS' REPORT (Continued)**Mr. Andrew David Bristow****Non-Executive Director****Appointed 19 June 2020, Resigned 21 February 2021**

Mr Bristow is a corporate lawyer with over 35 years' experience. He specializes in corporate and commercial law with a focus on initial public offerings (IPOs) and capital raising for both listed and unlisted companies.

Mr Bristow is a director of iSentric Limited (ASX:ICU) and several other unlisted public and private companies. He is also company secretary for several companies including Victor Group Holdings Limited (ASX:VIG).

Mr. Gregory Barry Starr**Non-Executive Director****Appointed 18 December 2018, Resigned 23 September 2020**

Mr Starr is a certified practicing accountant with a Bachelor of Business (UTS) and is a Member of the Australian Institute of Company Directors. He has over 30 years' experience in corporate and operational financial management. Mr Starr is an experienced public company director holding senior board positions in a number of ASX listed companies over 20 years. Over the past three years Mr Starr has held executive and non-executive positions on ASX listed companies Diatreme Resources Limited and BIR Financial Limited and public unlisted companies World.Net Services Limited and Ephraim Resources Limited.

Company Secretary**Mrs Catriona Glover****Appointed 25 May 2020**

Catriona has over 20 years' experience in private practice providing legal, corporate governance and company secretarial advice to a range of companies including ASX and NSX listed companies, private and not-for-profit organisations.

Meetings of Directors

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each director were as follows:

	Number Attended	Maximum Possible
Number of meetings held:		
Mr Panaccio	10	10
Dr Tong	10	10
Mr J Yu	10	10
Mr G Starr	3	3
Mr Bristow	7	7

The interest of each current Director in the shares and options of the Company at the date of this report is as follows:

	Number of fully paid ordinary shares	Number of options over ordinary shares
Steven Jiayi Yu (Held through Valorton Capital Pty Ltd)	1,842,406	1,500,000
Mr Panaccio (Held through Tercus Pty Ltd atf Panaccio Superannuation Fund)	890,316	3,000,000
Dr Tong (Held through KR and GT Nominees Pty Ltd atf The Tong Family Trust)	24,928,856	1,500,000

DIRECTORS' REPORT (Continued)**Corporate Structure**

VGI Health Technology Limited is a limited liability Company that is incorporated and domiciled in Australia. VGI Health Technology Limited is the ultimate parent entity within the Group. Following the acquisition of Invictus Biopharma Pty Limited which was completed in June 2020, the Company has the following wholly owned subsidiaries:

- Azure Health Prime Distribution Pty Ltd
- Azure Health Prime Pty Ltd
- Invictus BioPharma Pty Ltd
- Invictus Ops Pty Ltd
- Invictus Biotechnology Pty Ltd
- Invictus Overseas Holding Pty Ltd
- Invictus Nutraceuticals Inc

Nature of Operations and Principal Activities

The nature of operations and principal activities of the entities within the Group are contained in the section headed Review of Operations.

Review of Operations

A review of the Group's operations is contained in the section headed Review of Operations.

Operating Results

The loss of the Group for the financial year after tax was \$3,904,115 (2020 loss \$1,418,116).

Dividends

No dividends have been paid or declared by the Company since the start of the financial year and up to the date of this report. The Directors do not recommend the payment of a dividend.

Significant Events After Balance Date

On 9 July 2021, following shareholder approval, the company advised that the company's name had officially changed to VGI Health Technology Limited (formerly Azure Health Technology Limited) with the Australian Securities and Investments Commission. The effective date of change for the NSX was the commencement of trading on Wednesday 14 July 2021. The Company's ticker code on NSX remained as VTL.

Other than the foregoing, no other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely Developments and Expected Results

The Group expects to commence dosing of patients for its NAFLD/NASH Phase II clinical study in H2 of 2021 and commence dosing of patients for the Pancreatic Cancer Phase II clinical study in H1 of 2022. Interim reports from the Data Safety Monitoring Boards (DSMBs) of these studies are expected throughout 2022 and efficacy clinical data readouts are expected in H1 of 2023. VTL is expecting to engage partners (distributors, co-marketing partners and other established channels) for its nutraceuticals products in the US and other major markets. The nutraceuticals business is expected to generate its maiden revenues in H2 of 2021.

Environmental Legislation

The Group's operations are not significantly impacted by any environmental legislation under a law of the Commonwealth or of a state or Territory of Australia.

Indemnification and insurance of Directors and Officers

The Company has agreed to indemnify all the Directors of the Company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as Directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

The Company has in place Directors' and Officers' Indemnity insurance.

DIRECTORS' REPORT (Continued)**REMUNERATION REPORT**

This report, which forms part of the Directors' Report, outlines the remuneration arrangements in place for Directors and key executives of the Company for the financial year ended 30 June 2021. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for key management personnel who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly.

The following persons acted as Directors during or since the end of the financial year:

Name	Appointed
Louis James Panaccio	Non-Executive Chairman (Appointed 19 December 2019)
Glenn Tong	Managing Director (Appointed Director 19 December 2019, Executive Director from 11 June 2020)
Steven Jiayi Yu	Non-Executive Director (Appointed 28 March 2019)
Andrew David Bristow	Non-Executive Director (Appointed 19 June 2020, resigned 18 February 2021)
Gregory Starr	Non-Executive Director and Company Secretary (Resigned as Non-Executive Director on 23 September 2020 and as Company Secretary 25 May 2020)

Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year.

A. Remuneration philosophy

The performance of the Company depends upon the quality of the Directors and executives. The philosophy of the Company in determining remuneration levels is to:

- set competitive remuneration packages to attract and retain high calibre Directors and employees;
- link executive rewards to shareholder value creation; and
- establish appropriate performance hurdles for variable executive remuneration.

The Nomination and Remuneration Committee of the Board of Directors of the Company, or the Board where there is no Nomination and Remuneration Committee, is responsible for reviewing compensation arrangements for the Directors and senior executives and making recommendations to the Board.

The Nomination and Remuneration Committee, or the Board where appropriate, assesses the appropriateness of the nature and amount of remuneration of Directors and senior executives on a periodic basis by reference to relevant employment market conditions, with an overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

Remuneration structure

In accordance with best practice Corporate Governance, the remuneration structure of non-executive Directors, senior managers and executive remuneration is separate and distinct.

Non-executive director remuneration

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

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers advice from external sources as well as the fees paid to non-executive Directors of comparable companies when undertaking the annual review process.

Each non-executive director was entitled to receive a fee for being a director of the Company during the Reporting Period but payment of these fees were partially deferred to conserve cash. These amounts were inclusive of superannuation where applicable.

The remuneration of individual non-executive Directors for the year ended 30 June 2021 is detailed in Table 1 below.

Senior Manager and Executive Director Remuneration

The Company has a system of remuneration for its senior management that consists of fixed remuneration and variable remuneration (comprising short-term and long-term incentive schemes).

DIRECTORS' REPORT (Continued)

Fixed Remuneration

Fixed remuneration is reviewed annually by the Remuneration Committee, or the Board where appropriate. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Committee or the Board has access to external, independent advice where necessary.

Senior managers are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

Variable Remuneration

In normal circumstances, the Company would implement variable remuneration in the form specified below but as the business of Company is currently in its start-up phase, there is no variable remuneration component currently in place or otherwise planned at this time.

The Company's variable remuneration policy would be structured around short and long-term incentives as follows:

The objective of the short-term incentive program is to link the achievement of the Company's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential short term incentive available would be set at a level so as to provide sufficient incentive to the senior manager to achieve the operational targets and such that the cost to the Company is reasonable in the circumstances.

The Company will, at an appropriate time, introduce a long term incentive plan to reward Directors, employees and certain consultants in a manner that aligns this element of remuneration with the creation of shareholder wealth.

Employment Contracts

At 30 June 2021 there were no senior executive employment contracts in force.

B. Remuneration of Key Management Personnel

Key management personnel of the Consolidated Entity consisted of the directors and Managing Director of VGI Health Technology Limited for the financial year ended 30 June 2021:

- Louis James Panaccio - Non-Executive Chairman (Appointed 19 December 2019)
- Glenn Tong - Managing Director (Appointed Director 19 December 2019, Executive Director from 11 June 2020)
- Steven Jiayi Yu – Non - Executive Director (Appointed 28 March 2019)
- Andrew David Bristow - Non-Executive Director (Appointed 19 June 2020, resigned 18 February 2021)
- Gregory Barry Starr - Non-Executive Director (Appointed 18 Dec 2018, resigned 23 September 2020) Company Secretary (Appointed 18 December 2018, Resigned 25 May 2020)
- Catriona Glover – Company Secretary (Appointed 25 May 2020)
- Ian Forbes – Chief Financial Officer (Appointed 20 October 2020)
- Richard Estalella – Executive Director of Invictus Nutraceuticals Inc (Appointed 11 June 2020)
- David Kingston – Chief Scientific Officer and Chair of Scientific advisory board (Appointed 11 June 2020)

Amounts of remuneration

Details of the remuneration of the directors and any other key management personnel (defined as those who have the authority and responsibility for planning, directing and controlling the major activities of the Consolidated Entity) and specified executives of VGI Health Technology Limited are set out in the following tables.

VGI HEALTH TECHNOLOGY LIMITED (formerly Azure Health Technology Limited)
DIRECTORS' REPORT (Continued)

	SHORT-TERM				POST-EMPLOYMENT		SHARE-BASED		
2021	Salary & Fees	Bonus	Termination	Other	Super-annuation	Retirement benefits	Performance Shares	Options / ADS shares	Total \$
Executive Director									
G Tong	292,460	-	-	-	-	-	-	22,418	314,878
Non-Executive Directors									
L Panaccio*	145,250	-	-	-	-	-	-	44,837	190,087
S Yu**	98,334	-	-	168,708	-	-	-	22,418	289,461
A Bristow	29,166	-	-	-	-	-	-	-	29,166
G Starr	60,000	-	-	-	-	-	-	22,418	82,418
Senior Management									
R Estalella***	303,375	-	-	-	-	-	-	85,270	388,645
C Glover	90,755	-	-	-	-	-	-	-	90,755
I Forbes	75,805	-	-	-	-	-	-	-	75,805
D Kingston	169,110	-	-	-	-	-	-	22,739	191,848

* Salary and fees include \$75,000 Directors fee for Invictus Ops Pty Limited for the period July 2018 to December 2019.

** Became non-executive Director from 1 December 2020.

*** Salary and Fees includes \$40,436 relating to the year ended 30 June 2020

	SHORT-TERM				POST-EMPLOYMENT		SHARE-BASED		
2020	Salary & Fees	Bonus	Termination	Other	Super-annuation	Retirement benefits	Performance Shares	Options / ADS shares	Total \$
Executive Director									
G Tong#	-	-	-	-	-	-	-	-	-
S Yu	60,000	-	-	-	-	-	-	-	60,000
Non-Executive Directors									
L Panaccio	35,000	-	-	-	-	-	-	-	35,000
W Jiang	-	-	-	-	-	-	-	-	-
W Chen	24,000	-	-	-	-	-	-	-	24,000
A Bristow	1,923	-	-	-	-	-	-	-	1,923
G Starr	-	-	-	-	-	-	-	-	-

#Became executive director from 11 June 2020

Mr Tong is engaged to supply the services of Managing Director through a service contract with Biotech Smarts Pty Limited, a company controlled by Mr Tong.

Mr Panaccio is engaged to supply the services of Director through a service contract with CPW Capital Pty Limited, a company controlled by Mr Panaccio.

Mr Yu is engaged to supply the services of Director through a service contract with Valorton Services Pty Limited, a company controlled by Mr Yu.

Mr Starr was engaged to supply the services of Director through a service contract with Tearum Advisors Pty Limited, a company controlled by Mr Starr.

Mrs Glover is engaged to supply the services of Company Secretary through a service contract with CBG Leasing Services Pty Limited, a company controlled by Mrs Glover.

Mr Kingston is engaged to supply the services of Chief Scientific Officer through a service contract with DJ Medical Pty Limited, a company controlled by Mr Kingston.

DIRECTORS' REPORT (Continued)
C. Share-based compensation

The share based LTI compensation issued to Directors and other key management personnel is as follows:

Options over Ordinary Shares

Options were issued to directors and key management personnel on 14 October 2020 on the following terms:

- On exercise each option entitles the holder to one fully paid ordinary share
- The exercise price is \$0.30
- The options expire on 14 October 2025
- Subject to performing their roles and obligations in a satisfactory manner, one-third of the options vest one year from the date of issue, one-third vest two years from the date of issue and the balance will vest three years from the date of issue.

Performance Shares

There were no Performance Shares granted to directors and other key management personnel as part of compensation during the year ended 30 June 2021 (2020: Nil).

D. Additional disclosures relating to key management personnel

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below.

Ordinary shares	Balance at start of the year / on appointment	On exercise of options	Bought	Sold	Balance at end of the year / on resignation
2021					
L Panaccio	890,316	-	-	-	890,316
G Tong	24,928,856	-	-	-	24,928,856
Steven Yu	-	-	1,842,406	-	1,842,406
	25,819,172	-	1,842,406	-	27,661,578

The numbers of options over ordinary shares in the Company held during the financial year by each director of the Company and other key management personnel of the Company, including their personally related parties, are set out below.

Options over ordinary shares	Balance at the start of the year / on appointment	Granted during the year as compensation	Exercised during the year	Lapsed during the year	Forfeited/ Other changes	Balance at the end of the year / on resignation
2021						
L Panaccio	-	3,000,000	-	-	-	3,000,000
G Tong	-	1,500,000	-	-	-	1,500,000
S Yu	-	1,500,000	-	-	-	1,500,000
G Starr	-	1,500,000	-	-	-	1,500,000
A Bristow	-	1,500,000	-	-	(1,500,000)	-
R Estalella	3,145,463	-	-	-	-	3,145,463
D Kingston	838,790	-	-	-	-	838,790
	3,984,253	9,000,000			(1,500,000)	11,848,253

DIRECTORS' REPORT (Continued)

Other transactions and balances with Key Management Personnel

Tearum Advisors Pty Ltd had been engaged by the Company to provide general corporate services to the company. Mr Starr is employed by Tearum Advisors Pty Ltd and provided the corporate services.

Valorton Services Pty Ltd has been engaged by the Company to provide corporate development and other financial advisory services to the company. Mr Yu is employed by Valorton Services Pty Ltd and provides the corporate development and financial advisory services. Valorton Services Pty Limited is controlled by Mr Yu.

There were no other transactions or balances with Key Management Personnel.

This concludes the Remuneration Report.

Proceedings on Behalf of the Company

During the Reporting Period, no person 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.

The Company was not a party to any such proceedings during the year.

Auditor Independence and Non-Audit Services

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is comparable with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that these services do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

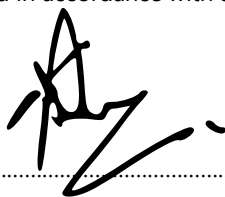
- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

There are no officers of the Company who are former Hall Chadwick audit partners.

Section 307C of the Corporations Act 2001 requires our auditors, Hall Chadwick, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the Financial Report. This Independence Declaration is set out on page 23 and forms part of this Directors' report for the year ended 30 June 2021.

There were no non-audit services provided by our auditors, Hall Chadwick.

Signed in accordance with a resolution of the Directors.



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Louis Panaccio
Chairman
SYDNEY, New South Wales
7 September 2021

CORPORATE GOVERNANCE STATEMENT

This statement is current as at 7 September 2021.

VTL and its controlled entities (the Group) have adopted the corporate governance framework and practices set out in this statement.

The Corporate Governance policy of the Company has been prepared by the Board of Directors of the Company with reference to the 4th Edition of the Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council ('ASX Principles and Recommendations'). This policy sets out how the Company is to comply with the ASX Principles and Recommendations and where its policy for Corporate Governance differs from the guidance.

Consistent with the Company's approach to sound corporate governance, opportunities for improvement are regularly considered.

This statement has been approved by the Board, and the information provided remains current as at 7 September 2021.

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1-A listed entity should have and disclose a board charter setting out: (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

The Company has adopted a Board Charter which sets out the respective roles and responsibilities of the Board and Management. The primary responsibilities of the Board include:

- Establishing the strategic direction, long term goal setting and performance oversight for the Company;
- Ensuring that the Company has implemented adequate internal controls together with appropriate monitoring of compliance activities;
- The review and adoption of annual budgets for the financial performance of the Company and monitoring the results on a quarterly basis;
- The approval of the annual and half-yearly financial report, and quarterly cash statements (as long as required);
- Ensuring that the Company is able to pay its debts as and when they fall due;
- Approving the appointment, retention and termination of the Managing Director and Company Secretary;
- Monitoring senior executives' performance and implementation of strategy, ensuring that appropriate resources are made available;
- Approving the appointment of Directors to the Board ensuring an appropriate balance of skills and experience and that new Directors are properly inducted;
- Reviewing, ratifying and monitoring systems of risk management and internal control and the Code of Conduct;
- Overseeing the continuous disclosure process to ensure timely and balanced disclosures;
- Approving and monitoring major capital expenditure, capital management, and acquisitions and divestitures;
- Approving and monitoring other reporting to shareholders; and
- Approving the issue of shares or other securities in the Company

It is the responsibility of senior management to manage the Company in accordance with the direction and delegations of the Board. While the Company is in its early start-up phase, the Board has temporarily delegated authority over the day-to-day management of the Company and its operations to Managing Director Dr Glenn Tong and Non-Executive Director Mr Steven Yu who are both accountable to the Board. The Board Charter is available on the Company website.

Recommendation 1.2 - A listed entity should (a) undertake appropriate checks before appointing a director or senior executive, or putting forward election as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

Prior to the appointment of a director or senior executive, or putting forward to security holders a candidate for election, as a director, the Company undertakes checks which it believes are appropriate to verify the person's character, experience, education, criminal record and bankruptcy history including:

- for new directors, background and reference checking; and

CORPORATE GOVERNANCE STATEMENT (Continued)

- for new directors and for all directors annually (including those put forward for election), requiring the person to verify information in relation to the person's directorships, bankruptcy history, criminal history and any potential conflicts of interests.

The Company ensures that all material information in its possession relevant to a shareholder's decision whether to elect or re-elect a director, including the information referred to above, is provided to shareholders in the Company's Notice of Annual General Meeting.

Recommendation 1.3 - A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

Each director and senior executive of the Company has an agreement in writing with the Company which sets out the key terms and conditions of their appointment including their duties, rights and responsibilities and (to the extent applicable) the matters referred to in the commentary to Recommendation 1.3.

Recommendation 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 has a direct line of reporting to the Chairman and is responsible for:

- advising and supporting the Chairman and the Board and its committees to manage the day to day governance framework of the Company;
- assisting with Board effectiveness by monitoring whether applicable Board and committee policies, procedures and charters are followed and coordinating timely completion and dispatch of Board agendas and papers; and
- assisting with all matters to do with the proper functioning of the Board including advising on governance matters and assisting with the induction and professional development of directors.

Recommendation 1.5 - A listed entity should: (a) have and disclose a diversity policy; (b) through its board or a relevant committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and (c) disclose in relation to each reporting period: (1) the measurable objectives set for that period to achieve gender diversity; (2) the entity's progress towards achieving those objectives, and either: (A) the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or (B) 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 that Act.

The Board has established a diversity policy which is available at the Company website. The Board members and the employees of the Company are made up with diverse skills, backgrounds and experiences and this diversity is valued and respected. However, given the size of the Company, the setting of quotas is impractical at this time.

The Board is monitoring the situation and acknowledges that it may be desirable to establish measurable objectives for achieving gender diversity should the Company's circumstances make that appropriate.

Recommendation 1.6 - A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose, for each reporting period, whether a performance evaluation has been in accordance with that process during or in respect of that period.

The performance of the Board and individual Directors is reviewed as part of the ordinary course of meetings of the Directors held during each year. The performance of the Audit and Compensation Committees, where such Committees have been established, is evaluated annually, against the charters of those committees. The Compensation Committee, where appointed, assists the Board as required with the evaluation of performance of directors (including the Managing Director).

Recommendation 1.7 - A listed entity should: (a) have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and (b) disclose, for each reporting period, whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.

The performance of the senior executives has been monitored on an ongoing basis throughout the review period by the Board.

CORPORATE GOVERNANCE STATEMENT (Continued)

Principle 2: Structure the board to be effective and add value

Recommendation 2.1 - The board of a listed entity should: (a) have a nomination committee which: (i) has at least three members, a majority of whom are Independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) 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 (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 balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

The Charter of the Nomination and Remuneration Committee provides for the creation of a Nomination and Remuneration Committee which has at least three members, a majority of whom are ideally are to be independent Directors, and which must be chaired by an independent Director. To the extent the Committee does not achieve this structure from time to time, the Board has established a process to achieve this structure and measure itself against that process annually.

The Committee, where one has been established, considers the following factors when selecting new Directors and when recommending Directors to shareholders for appointment or re-election:

- The aim of having a majority of independent Directors on the Board and of having an independent Non-Executive Chairman;
- That between them, the Directors have appropriate range of skills, expertise, experience and diversity to discharge the Board's mandate;
- That each individual Board member has sufficient time to meet his/her commitments as a Director of the Company;
- The duration of each existing Director's tenure, noting the retirement provisions of the Constitution; and
- Whether the size of the Board is appropriate to facilitate effective discussions and efficient decision making.

The nomination of existing Directors for re-appointment is not automatic and is contingent on performance and the current and future needs of the Company.

Recommendation 2.2 - A listed entity should have and disclose a board skills matrix setting out the mix of skills that the board currently has or is looking to achieve in its membership.

Given the size and current operations of the Company, the Board does not maintain a formal skills matrix. The skills and diversity attributes outlined below have been identified as the optimum attributes the Company seeks to achieve across its Board membership:

- technical expertise (including finance and legal);
- high level of business acumen;
- ability to think strategically;
- governance experience and expertise, including an understanding of legal, ethical and fiduciary duties;
- investor relations expertise; and
- diversity including gender.

The Board aspires to have a Board comprised of individuals diverse in gender, geographic location, culture, background, perspectives and experience and is mindful of this when making Director appointments. The Board is currently structured to be comprised of directors with a broad and diverse range of business experience.

Further details regarding the skills and experience of each Director is set out in the Directors Report in the 2021 Annual Report.

Recommendation 2.3 - A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an Interest, position, association or relationship of the type described in Box 2.3 of the ASX guidelines but the board is of the opinion that it does not 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 (c) the length of service of each director.

CORPORATE GOVERNANCE STATEMENT (Continued)

The Board regularly assesses the independence of its Non-Executive Directors. For this purpose an independent Director is a Non-Executive Director whom the Board considers to be independent of management and free of any interest, business or other relationship that could materially interfere with - or could reasonably be perceived to materially interfere with - the Director's capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the entity and its security holders generally, and who:

1. is not a substantial shareholder of the Company, is not an officer of, or is not otherwise associated with a substantial shareholder;
2. within the last three years, has not been employed in an executive capacity by the Company or another Group member;
3. within the last three years, has not been a principal of a material professional advisor or a material consultant to the Company or another Group member, or an employee materially associated with the service provided;
4. is not a material supplier to, or customer of, the Company or another Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
5. has no material contractual relationship with the Company or another Group member, other than as a Director; and has not been a Director of the Company for such a period of time that their independence may have been compromised.

Dr Glenn Tong and Mr Steven Yu are not considered independent. Dr Glenn Tong is a substantial shareholder in the Company and is the Company's Chief Executive Officer and Managing Director.. It is noted that while Mr Yu's appointment is expected to be Independent in the longer term, he is temporarily participating in the management of the company during the post-listing phase and is not currently Independent.

Recommendation 2.4 - A majority of the board of a listed entity should be independent directors.

As at the date of this report the majority of the Company's Board is not considered independent as outlined above in Recommendation 2.3. The Company may seek to appoint additional independent Directors in the future to address the lack of independence of its Directors.

Recommendation 2.5 - The chair of the board of a listed entity should be an independent director and, in particular, should not be the same period as the CEO.

The Chairman of the Company is Mr Lou Panaccio and Dr Glenn Tong is the Chief Executive Officer.

Recommendation 2.6 - A listed entity should have a program for Inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.

All directors are expected to maintain the skills required to effectively discharge their obligations to the Company. Directors are encouraged to undertake continuing professional education and, if this involves industry seminars and approved education courses, where appropriate, this is paid for by the Company. With the prior approval of the Chairman, each Director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations in order to fulfill their duties and responsibilities as Directors. All Directors have access to the Company Secretary.

Principle 3: Instil a culture of acting lawfully, ethically and responsibly

Recommendation 3.1 – A listed entity should disclose and articulate its values.

While the Company has not yet developed a formal statement articulating the Company's values, as part of its commitment to recognising the legitimate expectations of stakeholders and promoting practices necessary to maintain confidence in the Company's integrity, the Company has an established Code of Conduct to guide compliance with legal, ethical and other obligations to legitimate stakeholders and the responsibility and accountability required of the Company's personnel for reporting and investigating unethical practices or circumstances where there are breaches of the Code of Conduct.

Recommendation 3.2 - A listed entity should: (a) have and disclose a code of conduct for its directors, senior executives and employees; and (b) ensure that the board or a committee of the board is informed of any material breaches of that code.

The Company's code of conduct provides guidance to Directors, management, employees and consultants in carrying out their duties and responsibilities. The Code of Conduct is intended to promote honest and ethical conduct, full and accurate reporting, and compliance with laws as well as other matters.

CORPORATE GOVERNANCE STATEMENT (Continued)

The Code requires all Directors, senior executives, managers and employees to report any material breaches of the Code, law or policies to the board.

Recommendation 3.3- A listed entity should: (a) have and disclose a whistle blower policy; and (b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy.

The Company's whistle blower policy is available at www.vgiht.com.au. Pursuant to the policy a consolidated report which contains all material incidents reported under the policy is provided to the Board at least annually.

Recommendation 3.4 – A listed entity should: (a) have and disclose an anti-bribery and corruption policy; and (b) ensure that the board or a committee of the board is informed of any material breaches of that policy.

The Code of Conduct set out the Company's policy on preventing bribery and corruption. Any breaches of the Code of Conduct involving bribery or corruption, actual or perceived, must be reported to the Company Secretary immediately.

Principle 4: Safeguard Integrity in corporate reporting

Recommendation 4.1- The board of a listed entity should: (a) have an audit committee which: (i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (ii) is chaired by an independent director, who is not the chair of the board, and disclose: (iii) the charter of the committee; (iv) the relevant qualifications and experience of the members of the committee; and (v) 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 (b) 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 rotation of the audit engagement partner.

Given the size and current operations, the Company currently does not have an Audit Committee and the Board performs this function.

The Charter of the Audit Committee obliges the committee, where one has been appointed, to meet at least twice a year, or more frequently as circumstances dictate. The Audit Committee, or where none has been appointed the Board, ensures the integrity of the financial policies of the Company, reviews the integrity of the Company's financial reporting and the independence of the external auditor. The Audit Committee, or where none has been appointed the Board, also reviews the audited annual and half-year financial policies and any reports which accompany published financial policies and recommends their approval to the Board.

Meetings of the Audit Committee were not held throughout the year as, given the size of the Company, matters were discussed by the full Board.

Recommendation 4.2- 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.

The Company has received a declaration in the form set out in Recommendation 4.2 from its CEO and CFO in relation to the financial statements for the financial period ended 30 June 2021.

Recommendation 4.3- A listed entity should disclose its process to verify the integrity of any periodic report it releases to the market that is not audited or reviewed by an external auditor..

The Charter of the Audit Committee sets out the process of verifying the integrity of any corporate periodic report released to the market that has not been audited or reviewed by an external auditor.

Principle 5: Make timely and balanced disclosure

Recommendation 5.1 - A listed entity should) have and disclose a written policy for complying with its continuous disclosure obligations under the Listing Rule 3.1.

The board has adopted a Continuous Disclosure Policy which can be found on the Company's website at www.vgiht.com.au. The policy outlines the Company's compliance with its continuous disclosure obligations under Listing Rule 6.4. The Company Secretary has been appointed as the person responsible for communications with the NSX. The Board is responsible for ensuring the compliance with the continuous disclosure requirements in the NSX listing rules and overseeing and coordinating information disclosure to the NSX. Further, directors, management and staff are required to

CORPORATE GOVERNANCE STATEMENT (Continued)

inform the Company Secretary of any price sensitive or material information as they become aware of it. The board is required to review the policy at appropriate times.

Recommendation 5.2 – A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.

Copies of all material announcements are circulated to the Board before they have been made to enable the Board to have oversight of the nature and quality of information being disclosed by the Company.

Recommendation 5.3 – A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the NSX Market Announcements Platform ahead of the presentation.

The Continuous Disclosure Policy requires all new and substantive investor or analyst presentations be released to the market prior to the presentation.

Principle 6: Respect the rights of security holders

Recommendation 6.1 – A listed entity should provide information about itself and its governance to investors via its website.

Information about the Company and its operations is provided on its website at www.vgiht.com.au.

Recommendation 6.2 – A listed entity should design and implement an investor relations program that facilitates effective two-way communication with investors.

The board has approved a Shareholders' Communication policy and endeavours to communicate with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions. The policy sets out the strategy to promote effective communication with shareholders and encourage participation at general meetings.

The strategy includes ensuring timely and appropriate access to information for all investors by:

- issuing shareholder communications such as financial reports and an Annual Report to address the Company's strategy and performance;
- placing on its website all NSX announcements and relevant news releases and any other information that is an official release of material information to the market as soon as reasonably practicable; and
- sending and receiving shareholder communications electronically or by post to keep shareholders and the relevant markets informed of relevant information from the Company in a timely manner.

Recommendation 6.3 – A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.

The Board and the Company Secretary are responsible for the policies and processes to facilitate and encourage effective participation at general meetings. The Company adheres to best practice in its preparation of Notices of Meetings to ensure all shareholders are fully informed.

The Board encourages full participation of shareholders at the Annual General Meeting. Shareholders who are unable to attend general meetings are encouraged to lodge proxy appointments in advance of the meeting.

The external auditor is requested to attend the annual general meeting and to be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

At all shareholder meetings, the Company will provide an opportunity for shareholders and other stakeholders to hear from and put questions to the Board, management and if applicable the external auditor.

Recommendation 6.4 – A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than a show of hands.

As set out in the Shareholder Communication Policy, the Chairman of the meeting of shareholders will ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than a show of hands.

Recommendation 6.5 – A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

The Company gives security holders the option to receive communications from, and send communications to, the Company and its security registry electronically.

CORPORATE GOVERNANCE STATEMENT (Continued)

Principle 7: Recognise and manage risk

Recommendation 7.1 - The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) 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 (b) If it does not have risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

Given the size and current operations of the Company does not currently have an Audit and Risk Committee. Accordingly, the Board oversees the Company's internal control function and reviews the Company's guidelines and policies with respect to risk assessment and risk management. The Board is responsible for establishing policies on risk oversight and management, and risk management and internal control systems, including non-financial risks.

Recommendation 7.2 - The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the board; and (b) disclose, in relation to each reporting period, whether such a review has taken place.

Risk is systematically managed through a series of applicable Company systems and policies that address the main areas of risk facing the Company, including financial and accounting controls, insurance of assets, occupational health and safety, environmental management, land access and tenure etc. The Company will also implement a systematic risk assessment program in parallel with the studies into its projects to ensure that as the Company's activities evolve, the appropriate risk management systems are enhanced or added to as required.

The Chairman or the Company Secretary reports all material risk matters to the Board at meetings of the Board and otherwise as required.

The Board reviews risks to the Company at regular Board meetings.

The Company manages material business risks under a series of risk management strategies. There is an ongoing program to identify, monitor and manage compliance issues and material business risks with a view to safeguarding the Company's investments and the integrity of its operations. The Board reviews the identification, management and reporting of risk as part of the annual budget process. More frequent reviews are undertaken as conditions or events dictate.

The Board formally assessed material business risks during the Reporting Period.

Recommendation 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.

Given the Company's current size and nature of its operations, the Board does not consider it appropriate to have a separate internal audit function. The Company is committed to understanding and managing risk and to establishing an organisational culture that ensures risk management is included in all activities, decision making and business processes.

Operational, financial, legal, compliance, strategic and reputational risks continue to be managed primarily by the Chief Executive Officer as a part of the day-to-day management of the Company's affairs. Where appropriate, these risks are managed with the support of relevant external professional advisers.

The Board, with the assistance of the Audit Committee where one has been appointed, is responsible for monitoring and reviewing the effectiveness the Company's risk management and internal control processes. Management is responsible for ensuring the Company's material business risks are managed and for reporting to the Board on whether those risks are being managed effectively.

The Board constantly monitors the operation and financial aspects of the Company's activities and considers the recommendations and advice of external auditors and other external advisers on the operational and financial risks that it faces. The Board ensures that recommendations made by the external auditors and other external advisers are investigated and, where considered necessary, appropriate action is taken to ensure that the Company has an appropriate internal control environment in place to manage the key risks identified.

CORPORATE GOVERNANCE STATEMENT (Continued)

Recommendation 7.4 - A listed entity should disclose whether it has any material exposure to economic, environmental or social risks and, if it does, how it manages or intends to manage those risks.

During the financial year ended 30 June 2021, the Board determined that the Company did not have any material exposure to environmental or social risks.

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1 - The board of a listed entity should: (a) have a remuneration committee which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) 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 (b) if it does not have risk 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 remuneration is appropriate and not excessive.

Given the Company's current size and nature of its operations, the Board does not currently have a Nomination and Remuneration Committee. Accordingly, the Board oversees the remuneration of Directors and senior executives.

The board reviews the remuneration of the Board itself, the Managing Director and senior executives. The Board also considers external advice and employment data to ensure the overall remuneration practices of the Company are appropriate.

The expected outcomes of the remuneration structure are:

- retention and motivation of key executives;
- attraction of high quality management to the company; and
- performance incentives that allow executives to share in the success of the Company.

Recommendation 8.2 - A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

The Company's policies and practices regarding the remuneration of Non-Executive Directors and the remuneration of executive directors and other senior executives is set out in Nomination and Remuneration Committee Charter and in the Remuneration Report contained in the 2021 Annual Report

The level of remuneration reflects the anticipated time commitments and responsibilities of the position having regard to the financial constraints on the Company. Senior executives may be remunerated using combinations of fixed and performance based remuneration. Salaries are set at levels reflecting market rates having regard to the financial constraints on the Company and performance based remuneration, when offered, will be linked to specific performance targets that are aligned to both short and long term objectives.

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive compensation is separate and distinct.

Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred as a result of attendance at Board meetings and the discharge of other director related duties. Board members are not provided any additional remuneration in respect of any standing Board Committee memberships. There are no termination or retirement benefits for non-executive Directors.

Recommendation 8.3 - A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.

The Company does not have an equity based remuneration scheme.

VGI HEALTH TECHNOLOGY LIMITED
ABN 31 111 082 485
AND CONTROLLED ENTITIES

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF VGI HEALTH TECHNOLOGY LIMITED

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia

Ph: (612) 9263 2600
Fx: (612) 9263 2800

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of VGI Health Technology Limited. As the lead audit partner for the audit of the financial report of Azure Health Technology Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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



HALL CHADWICK (NSW)
Level 40, 2 Park Street
Sydney NSW 2000



DREW TOWNSEND
Partner
Dated: 7 September 2021

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 \$	2020 \$
Revenue and Other Income			
Interest Income	2	47	76
Other Income	2	65,015	-
Expenses			
Licence fee	3	(13,968)	(139,271)
Marketing expenses	3	(8,500)	(9,700)
Travel and entertainment expenses	3	(1,797)	(916)
Occupancy and share service expenses	3	(42,000)	(24,000)
Administration expenses	3	(22,462)	(2,525)
Bank fees	3	(3,242)	(414)
Research and development expenses	3	(940,720)	-
Legal and professional fees	3	(1,357,417)	(1,120,443)
Directors fees	3	(660,210)	(120,923)
Borrowing costs	3	(355,807)	-
Fair value change of derivative	3	(365,796)	-
Share based payments	3	(197,258)	-
Loss before income tax expense		(3,904,115)	(1,418,116)
Income tax expense	4	-	-
Net loss for the year		(3,904,115)	(1,418,116)
Other comprehensive income		-	-
Total comprehensive income		(3,904,115)	(1,418,116)
 Basic and diluted earnings per share (cents per share)	 5	 (2.82)	 (1.95)

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

		Consolidated	
	Notes	2021	2020
		\$	\$
Assets			
Current Assets			
Cash and cash equivalents	6	226,769	445,371
Trade and other receivables	8	59,594	196,690
Inventory	9	52,926	-
Total Current Assets		339,289	642,061
Non-Current Assets			
Intangible assets	14	9,233,752	9,130,459
Total Current Assets		9,233,752	9,130,459
Total Assets		9,573,041	9,772,520
Liabilities			
Current Liabilities			
Trade and other payables	10	1,000,270	1,402,591
Borrowings	11	208,206	180,376
Convertible notes	12	-	2,760,000
Total Current Liabilities		1,208,476	4,342,967
Non-Current Liabilities		-	-
Total Liabilities		1,208,476	4,342,967
Net assets		8,364,566	5,429,553
Equity			
Issued capital	13	83,217,518	76,575,647
Reserves	13	11,854,206	11,656,949
Accumulated losses		(86,707,158)	(82,803,043)
Total Equity		8,364,566	5,429,553

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

		Consolidated	
		2021	2020
	Notes	\$	\$
Cash flows from operating activities			
Payments to suppliers and employees		(3,368,469)	(2,092,590)
Interest received		47	76
Other revenue		65,015	-
Net cash (used in) operating activities	7	(3,303,407)	(2,092,514)
Cash flows from investing activities			
Payment for Intangible investments		(103,293)	-
Acquisition of Invictus BioPharma Ltd, net of cash acquired	14(a)	-	6,558
Net cash (used in) investing activities		(103,293)	6,558
Cash flows from financing activities			
Proceeds from issue of shares		2,467,000	-
Payments to/ proceeds from borrowings		27,830	(230,000)
Proceeds from issue of convertible notes	12	693,268	2,760,000
Net cash provided by financing activities		3,188,098	2,530,000
Net (decrease) / increase in cash and cash equivalents		(218,602)	444,044
Cash and cash equivalents at 1 July		445,371	1,327
Cash and cash equivalents at end of year	6	226,769	445,371

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

	Issued capital	Option reserve	Accumulated Losses	Total
Balance at 30 June 2020	76,575,647	11,656,949	(82,803,043)	(5,429,553)
Loss after tax	-	-	(3,904,115)	(3,904,115)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(3,904,115)	(3,904,115)
Transaction with owners in their capacity as owners				
Issue of options	-	197,257	-	197,257
Conversion of convertible notes to shares	4,174,871	-	-	4,174,871
Issue of ordinary shares	2,467,000	-	-	2,467,000
Total transaction with owners	6,641,871	197,257	-	6,839,128
Balance at 30 June 2021	83,217,518	11,854,206	(86,707,158)	8,364,566

	Issued capital	Option reserve	Accumulated Losses	Total
Balance at 30 June 2019	69,575,647	11,582,945	(81,384,927)	(226,335)
Loss after tax	-	-	(1,418,116)	(1,418,116)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(1,418,116)	(1,418,116)
Transaction with owners in their capacity as owners				
Issue of options	-	74,004	-	74,004
Issue of ordinary shares	7,000,000	-	-	7,000,000
Total transaction with owners	7,000,000	74,004	-	7,074,004
Balance at 30 June 2020	76,575,647	11,656,949	(82,803,043)	5,429,553

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated. The financial statements are for the Group consisting of VGI Health Technology Limited and its subsidiaries.

The financial statements have been prepared in accordance with the historical cost basis and presented in Australian dollars. Cost is based on the fair values of the consideration given in exchange for assets. The Company is a listed public Company, incorporated in Australia and operating in Australia.

Going Concern

During the year ended 30 June 2021, the Company incurred negative cash flows from operations of \$3,303,407 (2020: \$2,092,514). As at 30 June 2021, the company had a net asset surplus of \$8,364,566 (2020: \$5,429,553) and current liabilities of \$1,208,476 (2020: \$4,342,967).

VTL completed its Initial Public Offer, raising equity of approximately \$2.5 million by issuing approximately 12,500,000 ordinary shares at \$0.20 each, and subsequently listing on NSX on 28 May 2021.

VTL completed a pre-IPO round of capital raising undertaken from June to September 2020 through the issue of convertible notes to investors in Australia, which raised a total of \$3,453,268. Just prior to the successful listing on NSX, the Company converted \$3,278,268 of the Convertible Notes into ordinary shares and the balance of the Convertible Notes were converted in early June 2021.

In addition to the Offer, the Company has entered into a loan agreement with its major shareholder Mr Wei (Aiden) Jiang whereby he will lend the Company \$1.5 million upon a successful listing on the NSX. The key terms of the loan are that at the discretion of the Company and subject to the receipt of shareholder approval, the loan will convert into shares (at an issue price of \$0.20) at any time during the two-year term (commencing on 31 December 2020). The Company may extend the repayment of the loan by a further 12 months in its sole discretion. Interest is payable on the outstanding principal at the rate of 8% per annum.

VTL is also eligible to claim the governments Research and Development Tax incentive for the eligible R&D activities undertaken. VTL is eligible to claim an incentive payment of 43.5% of all eligible R&D expenditure. For the year ended 30 June 2021, VTL estimates that the available incentive payment will be \$315,136. VTL will be able to claim an incentive payment of 46% of all eligible R&D expenditure for the year ended 30 June 2022.

Based on the provision of loan funds, access to R&D tax rebates, and the ability of the company to raise additional capital from shareholders if and or when required, the directors are of the opinion that it is appropriate to prepare the accounts on a going concern basis. The reliance on the requirement to raise additional working capital indicate a significant material uncertainty that may cast doubt on the group's ability to continue as a going concern and, therefore, the group may be unable to realise its assets and discharge its liabilities in the normal course of business. This financial report does not reflect adjustments in the carrying value of the assets and liabilities, the reported revenue and expenses, and the balance sheet classification used, that would be necessary if the group was unable to continue as a going concern.

(b) Adoption of new and revised standards

Standards and Interpretations applicable to 30 June 2021

In the year ended 30 June 2021, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current annual Reporting Period.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and, therefore, no material change is necessary to Group accounting policies.

Standards and Interpretations in issued and not yet adopted

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2021. As a result of the review the Directors have determined that there is no material impact, of

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

the new and revised Standards and Interpretations on the Company and, therefore, no change is expected to the Group's accounting policies.

(c) Statement of Compliance

The financial report was authorised for issue on 3 September 2021.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(d) Critical accounting estimates and judgements

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(e) Borrowing Costs

Borrowing costs are recognised as an expense when incurred except those that relate to the acquisition, construction or production of qualifying assets where the borrowing cost is added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

(f) Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

(f) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Weighted average cost is used to determine the cost of ordinarily interchangeable items.

(g) Income Tax

The income tax expense or benefit 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 difference 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.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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

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

when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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

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

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

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

(h) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(i) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

Classification and subsequent measurement

Financial liabilities

Financial instruments are subsequently measured at:

- amortised cost; or
- fair value through profit or loss.

A financial liability is measured at fair value through profit and loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which AASB 3: Business Combinations applies;
- held for trading; or
- initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period. The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if:

- it is incurred for the purpose of repurchasing or repaying in the near term;
- part of a portfolio where there is an actual pattern of short-term profit taking; or
- a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in an effective hedging relationship).

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship are recognised in profit or loss.

The change in fair value of the financial liability attributable to changes in the issuer's credit risk is taken to other comprehensive income and are not subsequently reclassified to profit or loss. Instead, they are transferred to retained earnings upon derecognition of the financial liability. If taking the change in credit risk in other comprehensive income enlarges or creates an accounting mismatch, then these gains or losses should be taken to profit or loss rather than other comprehensive income.

A financial liability cannot be reclassified.

Financial assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

Measurement is on the basis of two primary criteria:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- the financial asset is managed solely to collect contractual cash flows; and

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates;
- the business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

The Group initially designates a financial instrument as measured at fair value through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- it is in accordance with the documented risk management or investment strategy, and information about the groupings was documented appropriately, so that the performance of the financial liability that was part of a group of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis;
- it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

The initial designation of the financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All of the following criteria need to be satisfied for derecognition of financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Group no longer controls the asset (i.e. the Group has no practical ability to make a unilateral decision to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a debt instrument classified as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity which was elected to be classified under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss but is transferred to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Impairment

The Group recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost or fair value through other comprehensive income.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Group uses the following approaches to impairment, as applicable under AASB 9: Financial Instruments:

- the simplified approach and
- low credit risk operational simplification.

Simplified approach

The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times. This approach is applicable to:

- trade receivables or contract assets that result from transactions within the scope of AASB 15: Revenue from Contracts with Customers and which do not contain a significant financing component; and
- lease receivables.

In measuring the expected credit loss, a provision matrix for trade receivables was used taking into consideration various data to get to an expected credit loss (ie diversity of customer base, appropriate groupings of historical loss experience, etc).

Low credit risk operational simplification approach

If a financial asset is determined to have low credit risk at the initial reporting date, the Group assumes that the credit risk has not increased significantly since initial recognition and accordingly it can continue to recognise a loss allowance of 12-month expected credit loss.

In order to make such a determination that the financial asset has low credit risk, the Group applies its internal credit risk ratings or other methodologies using a globally comparable definition of low credit risk.

A financial asset is considered to have low credit risk if:

- there is a low risk of default by the borrower;
- the borrower has strong capacity to meet its contractual cash flow obligations in the near term;
- adverse changes in economic and business conditions in the longer term may, but not necessarily will, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

A financial asset is not considered to carry low credit risk merely due to existence of collateral, or because a borrower has a risk of default lower than the risk inherent in the financial assets, or lower than the credit risk of the jurisdiction in which it operates.

Recognition of expected credit losses in financial statements

At each reporting date, the Group recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Assets measured at fair value through other comprehensive income are recognised at fair value, with changes in fair value recognised in other comprehensive income. Amounts in relation to change in credit risk are transferred from other comprehensive income to profit or loss at every reporting period.

For financial assets that are unrecognised (eg loan commitments yet to be drawn, financial guarantees), a provision for loss allowance is created in the statement of financial position to recognise the loss allowance.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

(j) Trade and other payables

Trade payables and other payables are carried at cost and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

(k) Interest-bearing loans and borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the Reporting Period.

(l) Employee leave benefits

Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the balance date are recognised in other payables in respect of employees' services up to the balance date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(m) Share-based payment transactions

(i) Equity settled transactions:

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 a Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of VGI Health Technology 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 statement of comprehensive income 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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 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.

(n) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a new business are not included in the cost of acquisition as part of the purchase consideration.

(o) Earnings per share

Basic earnings per share is calculated as net profit/loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit/loss attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(p) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of VGI Health Technology Limited.

(q) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of VGI Health Technology Limited ('Company' or 'parent entity') as at 30 June 2021 and the results of all subsidiaries for the year then ended. VGI Health Technology Limited and its subsidiaries are referred to in this financial report as the Group.

The financial statements of the subsidiaries are prepared for the same Reporting Period as the parent entity, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-Group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

Business combinations have been accounted for using the acquisition method of accounting.

Unrealised gains or transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the statement of comprehensive income and within equity in the consolidated statement of financial position. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised within equity attributable to owners of VGI Health Technology Limited.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards).

(r) Intangible assets – patents and licensed patents

Patents and licensed patents are capitalised on the basis of the cost incurred to acquire the patents. Patents and licensed patents have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. The patents are standard patents with an effective life of 20 years.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(s) Research and development tax incentive income

Research and Development Tax incentives are accounted for in line with AASB 120 Government Grants. VTL estimates the rebate for the year ending 30 June 2021 will be received early in the 2022 Financial year. The R&D rebate will be recognised upon receipt and will be offset against the R&D expenditure.

(t) Intellectual Property

Significant costs associated with intellectual property are capitalised and have an indefinite useful life. Intellectual property is not amortised. Instead, intellectual property is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on intellectual property are taken to profit or loss and are not subsequently reversed.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	Consolidated	
	2021	2020
	\$	\$
NOTE 2: REVENUE AND OTHER INCOME		
Other Income – Debt forgiveness	65,015	-
Interest received	47	76

	Consolidated	
	2021	2020
	\$	\$
NOTE 3: EXPENSES		
Licence fee		
- ASX and ASIC fees	13,968	139,271
Marketing expenses		
- Design and Branding	8,500	9,700
Travel and entertainment expenses	1,797	916
Occupancy and share service expenses	42,000	24,000
Administration expenses		
- Computer and website maintenance	20,040	1,511
- Other admin	2,422	1,014
	22,462	2,525
Legal and professional fees		
- Registry Management	49,771	111,341
- Legal Due Diligence	177,484	135,199
- Legal IPO	299,394	335,133
- Lead Manager	90,659	132,080
- Prospectus and Notice of meeting preparation	49,823	143,736
- Investigating Accountant	39,000	22,000
- Research and valuation fees	37,500	-
- Management Services & Consultancy	253,940	123,400
- Nutraceuticals management fees	304,582	-
- Other expenditure	55,264	17,033
	1,357,417	1,019,922

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

	Consolidated	
	2021	2020
	\$	\$
NOTE 3: EXPENSES		
Directors fees	660,210	120,923
Borrowing costs – imputed interest on Convertible notes upon conversion	355,807	-
Fair Value change of derivative – fair value adjustment of convertible note	365,796	-
Share based payments	197,258	-

NOTE 4: INCOME TAX

(a) Income Tax Expense	2021	2020
	\$	\$
Prima Facie tax on loss before income tax is reconciled to income tax expense as follows:		
Loss for year	(3,904,115)	(1,418,116)
Prima facie income tax expense @ 27.5% (2020: 27.5%)	(1,073,632)	(425,435)
Add tax effect of:		
Non-allowable items	228,419	-
Non-assessable items	-	-
Tax losses and timing differences not brought to account	845,213	425,435
	-	-

(b) Deferred Tax Assets

The following deferred tax assets, net of deferred tax liabilities, have not been brought to account as assets:

Tax losses carried forward	668,129	450,647
Other temporary differences not recognised	845,213	217,482
Unused tax losses	1,513,342	668,129

- These amounts have not been brought to account as it is not considered probable that the Company will earn taxable income in the foreseeable future to allow the deferred tax assets to be utilised.

- The Company has not yet carried out an assessment as to whether it is able to utilise current year and prior years tax losses against future taxable income following the significant changes in the Company's shareholding and the changes to the Company's operations. If the Company does not satisfy the eligibility criteria relating to the continuation of ownership test and the same business test for carrying forward these tax losses, it will not be able to utilise some or all of these tax losses against future taxable income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 5: LOSS PER SHARE

	Consolidated	
	2021	2020
	\$	\$
Basic and diluted earnings per share (cents per share)	(2.82)	(1.95)
Earnings – net (loss) profit for year	(3,904,115)	(1,418,116)
Weighted average number of ordinary shares used in the calculation of:		
Basic earnings per share (cents per share)	138,246,522	71,283,742
Diluted earnings per share (cents per share)	138,246,522	71,283,742

NOTE 6: CASH AND CASH EQUIVALENTS

	Consolidated	
	2021	2020
	\$	\$
Cash at bank	226,769	445,371
	<u>226,769</u>	<u>445,371</u>

NOTE 7: CASH FLOW INFORMATION

	Consolidated	
	2021	2020
	\$	\$
Reconciliation of loss for the year to net cash flow used in operating activities:		
Loss for the year	(3,904,115)	(1,418,116)
Non-Cash items and reclassifications		
- Share based payments	197,257	-
- Borrowing costs	355,807	-
- Fair value change of derivative	365,796	-
Changes in assets and liabilities		
- Trade and other receivables	137,096	26,957
- Trade and other payables	(402,322)	(701,355)
- Inventory	(52,926)	-
Net cash flows (used in) operating activities	<u>(3,303,407)</u>	<u>(2,092,514)</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 8: TRADE AND OTHER RECEIVABLES

	2021	2020
	\$	\$
Other receivables	59,594	196,690
	<u>59,594</u>	<u>196,690</u>

NOTE 9: INVENTORY

	2021	2020
	\$	\$
Merchandise	52,926	-
	<u>52,926</u>	<u>-</u>

NOTE 10: TRADE AND OTHER PAYABLES

	Consolidated	
	2021	2020
	\$	\$
Current		
Trade payables	827,204	1,245,959
Other payables and accruals	173,066	156,632
	<u>1,000,270</u>	<u>1,402,591</u>

Terms and conditions relating to the above financial instruments:

- Trade creditors are non-interest bearing and are normally settled on 30-day terms.
- Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

NOTE 11: BORROWINGS

	Consolidated	
	2021	2020
	\$	\$
FIFO capital loan – Advance on R&D tax incentive	186,394	-
Attvest Finance – Loan for Insurance premium	21,812	-
Other borrowings	-	180,375
	<u>208,206</u>	<u>180,375</u>

VTL has entered into finance agreements with Antra Group Pty Ltd (otherwise known as FIFO Capital). Under the FIFO Agreement, FIFO Capital provides the Company with an ongoing finance facility of an amount up to 80% of the estimated tax rebate on any eligible R&D expenditure of the Company. Interest of 15% per annum is payable on amounts draw down on this loan facility.

VTL has financed the \$41,181 Directors and Officers insurance policy premium through Attvest Finance. The \$43,623 premium finance facility was taken out in February 2021. It includes Credit charges of \$2,442 and is repayable in 10 monthly instalments.

Other borrowings bear interest rate of 5% per annum and are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 12: CONVERTIBLE NOTES

	Consolidated	
	2021	2020
	\$	\$
Convertible notes	-	2,760,000
	-	2,760,000

In June 2020 the Company required working capital funding whilst restructuring options were being explored. Certain investors provided this funding via convertible notes. A total of \$2,760,000 was loaned via the convertible notes. A further \$693,268 convertible notes were issued in September 2020.

A total of \$2,776,768 of convertible notes were converted to 16,894,943 ordinary shares on 21 April 2021. The remaining \$676,500 convertible notes were converted to 3,979,412 shares on 11 May 2021.

Certificate No.	No. of Convertible Notes	Issue Price	Issue Date	Conversion Price	Maturity Date	Conversion Date	No of shares issued
1	501,500	\$1.00	28 May 2020	15% discount to the Initial Public Offering Price	31 December 2021	27 May 2021	2,950,000
2	50,000	\$1.00	28 May 2020	15% discount to the Initial Public Offering Price	31 December 2021	27 May 2021	294,118
3	50,000	\$1.00	28 May 2020	15% discount to the Initial Public Offering Price	31 December 2021	27 May 2021	294,118
4	25,000	\$1.00	28 May 2020	15% discount to the Initial Public Offering Price	31 December 2021	27 May 2021	147,059
5	25,000	\$1.00	28 May 2020	15% discount to the Initial Public Offering Price	31 December 2021	27 May 2021	147,059
6	25,000	\$1.00	28 May 2020	15% discount to the Initial Public Offering Price	31 December 2021	27 May 2021	147,059
7	984,000	\$1.00	2 June 2020	18% discount to the Initial Public Offering Price	31 December 2021	21 April 2021	6,000,000
8	698,640	\$1.00	15 June 2020	18% discount to the Initial Public Offer Price	31 December 2021	21 April 2021	4,260,000
9	400,860	\$1.00	30 June 2020	18% discount to the Initial Public Offer Price	31 December 2021	21 April 2021	2,444,268
10	200,000	\$1.00	28 Sept 2020	Average of the conversion price for certificates 1-9	31 December 2021	21 April 2021	1,139,307
11	188,477	\$1.00	28 Sept 2020	Average of the conversion price for certificates 1-9	31 December 2021	21 April 2021	1,842,406
12	304,791	\$1.00	28 Sept 2020	Average of the conversion price for certificates 1-9	31 December 2021	21 April 2021	1,208,962
	3,453,268						20,874,355

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 13: ISSUED CAPITAL AND RESERVES

			2021	2020
Issued and paid up capital				
Ordinary shares fully paid			138,246,522	105,037,167
(a) Ordinary shares				
Details	Issue Date	Number of shares	Issue Price	Amount \$
Balance as at 30 June 2019		179,998,454		69,575,647
Shares consolidated on a 100:257 basis	6 March 2020	(109,961,287)	-	-
Issue of new shares 11 June 2020 to acquire Invictus BioPharma Ltd	11 Jun 2020	35,000,000	0.20	7,000,000
Balance as at 30 June 2020		105,037,167		76,575,647
Issue of new shares on conversion of convertible notes	21 April 2021	16,894,943	various	3,353,504
Issue of new shares upon NSX listing	27 May 2021	12,335,000	0.20	2,467,000
Issue of new shares on conversion of convertible notes	28 May 2021	3,979,412	various	821,367
Balance as at 30 June 2021		138,246,522		83,217,518

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Options

Options granted

As part of the acquisition of IVB, VTL agreed to exchange options in IVB for VTL options. The VTL (IVB Executives) 2020 Executive Option Plan, is substantially the same form as the Invictus Biopharma Limited Employee Incentive Plan Rules as adopted on 11 September 2018.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

On 14 October 2020, a further 7,500,000 options were issued to the directors of the company with an exercise price of \$0.30. These options vested over 3 years and have a 5 year expiry date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

Option holder	Numbers of AZT options issued	Grant date	Vesting date and exercisable date	Expiry date	Exercise Price
Richard Estalella	3,145,463	June 20	1/3 - 11 June 20	30-Jun-25	\$0.479
			1/3 - 11 June 21		
			1/3 - 11 June 22		
David Kingston	838,790	June 20	1/3 - 11 June 20	30-Jun-25	\$0.479
			1/3 - 11 June 21		
			1/3 - 11 June 22		
Jeffrey Hanlon	838,790	June 20	1/3 - 11 June 20	30-Jun-25	\$0.479
			1/3 - 11 June 21		
			1/3 - 11 June 22		
Richard Pestell	838,790	June 20	1/3 - 11 June 20	30-Jun-25	\$0.479
			1/3 - 11 June 21		
			1/3 - 11 June 22		
Greg Macosko	419,395	June 20	1/3 - 11 June 21	30-Jun-25	\$0.479
			1/3 - 11 June 22		
			1/3 - 11 June 23		
Lou Panaccio	3,000,000	October 20	1/3 - 14 Oct 21	14-Oct-25	\$0.300
			1/3 - 14 Oct 22		
			1/3 - 14 Oct 23		
Glenn Tong	1,500,000	October 20	1/3 - 14 Oct 21	14-Oct-25	\$0.300
			1/3 - 14 Oct 22		
			1/3 - 14 Oct 23		
Steven Yu	1,500,000	October 20	1/3 - 14 Oct 21	14-Oct-25	\$0.300
			1/3 - 14 Oct 22		
			1/3 - 14 Oct 23		
Greg Starr	1,500,000	October 20	1/3 - 14 Oct 21	14-Oct-25	\$0.300
			1/3 - 14 Oct 22		
			1/3 - 14 Oct 23		
Total	13,581,228				

(c) Reserves

Option reserve

This reserve was used to recognise the value of share-based payments.

	Consolidated	
	2021	2020
	\$	\$
Option reserve		
Balance at beginning of the year	11,656,949	11,582,945
Issue of options to IVB	-	74,004
Options vested in the year	197,257	-
Balance at the end of the year	11,854,206	11,656,949

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 14: INTANGIBLE ASSETS

	Consolidated	
	2021	2020
	\$	\$
Intellectual property (a)	8,754,237	8,754,237
IVB patents and licensed patents (b)	479,515	376,222
	<u>9,233,752</u>	<u>9,130,459</u>

(a) Prior year acquisition of 100% of the issued capital of Invictus BioPharma Limited

On 11 June 2020, the company acquired 100% of the issued share capital of Invictus BioPharma Ltd ("Invictus Acquisition"), a group that is developing and commercialising novel nutraceutical and prescription medicines based on natural products (tocotrienols) which have wide therapeutic potential. The Invictus group owns and controls patent and other intellectual property rights for novel approaches to delivering tocotrienols directly to the target tissues. The acquisition complements the group's existing business, which is to research, develop, distribute and market a range of health and therapeutic products and technologies, including innovative drugs and wellbeing supplements.

\$

Details of purchase consideration, the net assets acquired

Purchase consideration	
- Shares issued	7,000,000
- Share-based payments	74,004
	<u>7,074,004</u>
Cash and cash equivalents	6,558
Trade and other receivables	80,533
Intangible assets – patents and licensed patents	376,222
Intangible assets – intellectual property	8,754,237
Trade and other payables	(1,963,171)
Borrowings	(180,376)
Net liabilities assumed	<u>7,074,004</u>
Goodwill	<u>-</u>

During the financial year, the accounting for the Invictus acquisition has been finalised based on the valuations of all assets and liabilities acquired. On the basis of the valuation, goodwill as previously reported was reclassified and allocated to intellectual property. Comparatives have been reclassified accordingly to reflect the amendment.

(b) Acquired and licensed patents

(i) Acquired patents

On 31 January 2018, an agreement was executed between Gordagen Pharmaceuticals Pty Ltd [(in liquidation) (Gordagen)] and Invictus Biotechnology Pty Ltd ("IVB") whereby the intellectual property owned by Gordagen was transferred to IVB. The intellectual property being the Assigned Patents - Patent Family comprising PCT Application No. PCT/AU2013/001310 filed on November 2013, entitled "Transmucosal delivery of tocotrienol" comprising various national phase applications, and other background information, data and ideas that relate to the subject matter disclosed in the Assigned Patents.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

In exchange, Invictus Biotechnology Pty Ltd agreed and undertakes to pay an "IP Royalty" to Gordagen within 14 days of receiving funds from third parties. The IP Royalty means all cash and other consideration accrued and received in respect of the assignment of rights to the Assigned IP or any portion of it during the 5 years commencing on the date of the agreement (31 January 2018). It does not include any payments expressed to be payable for research and/or development of the Assigned IP, and does not exceed \$250,000. On 7 September 2018, an Amendment Agreement to the above Agreement was executed between the above parties. This Agreement had the effect of amending the definition of the "IP Royalty".

IP Royalty' means:

- (a) sixty thousand Australian dollars (AU\$60,000) plus GST ('Down Payment') to be paid within 10 business days of Invictus completing a listing of its shares on a stock exchange. At the time of issuance of this Report, a variation deed was being finalised between Invictus and Gordagen to vary this Down Payment to be payable within 10 business days of VTL's shares being relisted on the Australian Stock Exchange to reflect the new circumstances arising because of the reverse takeover transaction between VTL and Invictus.
- (b) two percent (2%) of the annual revenues that Invictus Nutraceuticals, Inc. received during the period of time commencing on 1 July 2020 and expiring on 30 June 2023 ('Royalty Period') from the commercialisation of the Assigned IP, and excludes any payments expressed to be payable for research and/or development of the Assigned IP; and is capped at one hundred and ninety thousand Australian dollars (AU \$190,000) ('Royalty Revenue') and PROVIDED THAT if the Assignee sells or otherwise transfers the Assigned IP or any portion of it before 30 June 2023, five percent (5%) of the proceeds of such sale up to one hundred and ninety thousand Australian dollars (AU\$190,000) and after deduction of the amounts that will have been paid under paragraphs (a) and (b) of this definition and the reasonable costs of the sale such as legal fees and banker and/or broker fees;

If IVB sells or otherwise transfers the Assigned IP or any portion of it during the five-year period in a commercial arms-length transaction, 5% of the proceeds less reasonable selling costs will be paid to Gordagen.

(ii) Licensed patents

On 28 February 2018, a Licence Agreement was executed between Monash University (Monash) and Gordagen Pharmaceuticals Pty Ltd (In Liquidation) (Gordagen). This License Agreement allowed Gordagen an exclusive worldwide license of the Licensed Patents and a non-exclusive worldwide license of the Background Technology for the purpose of Commercialisation of the Licensed Patents in the field of lymph directing pro-drugs of tocotrienol compounds being vitamin E and vitamin E derivatives.

On the same date, 28 February 2018, a Novation Deed was executed between Gordagen and Invictus Biotechnology Pty Ltd to substitute the Licensee parties under the License Agreement.

Under the Payment Terms of the Licence Agreement, Licence Fee payments totalling \$12,500+GST were paid by IVB during the 2018 financial year, and a \$95,000 exclusive of GST payment payable within 30 days of the first anniversary of the Commencement Date (28th February 2018). The upfront licence fees have been included in the carrying value of licensed patents at 30 June 2020.

No royalties have been included in the carrying value of licensed patents as these payments are contingent upon the Company's future sales and therefore have been disclosed as a contingent liability.

NOTE 15: CONTINGENT LIABILITIES

At 30 June 2021, the Group had the following contingent liabilities:

- Potential royalties from acquisition of patents from Gordagen Pharmaceutical Pty Ltd (in liquidation), refer to Note 14(b).
- Potential royalties from license agreement with Monash University, refer to Note 14(b).

There were no other contingent liabilities at 30 June 2021 (2020: \$Nil) .

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 16: RELATED PARTY DISCLOSURES

(a) Parent entity

The ultimate parent entity within the Group is VGI Health Technology Ltd.

(b) Subsidiaries

Name of Controlled Entity	Class of Share	Place of Incorporation	% Held by Parent Entity	
			2021	2020
VGI Health Prime Distribution Pty Ltd	Ordinary	Australia	100%	100%
VGI Health Prime Pty Ltd	Ordinary	Australia	100%	100%
Invictus BioPharma Ltd	Ordinary	Australia	100%	100%
Invictus Ops Pty Ltd	Ordinary	Australia	100%	100%
Invictus Biotechnology Pty Ltd	Ordinary	Australia	100%	100%
Invictus Overseas Holding Pty Ltd	Ordinary	Australia	100%	100%
Invictus Nutraceuticals Inc	Ordinary	United States of America	100%	100%

(c) Key management personnel

Disclosures relating to key management personnel are set out in Note 18.

(d) Transactions with related parties

On the 22 February 2019 Wei Jiang loaned \$100,000 to the company to meet short term working capital commitments. On the 21 May 2019 Wei Jiang loaned a further \$130,000 to the company. During the year ended 30 June 2020, Wei Jiang loaned a further \$1,470,000 to the company. The loans were unsecured and non-interest bearing. The loans totalling \$1,700,000 were repaid in June 2020. The loans were unsecured and non-interest bearing. The loans were fully repaid in the year ended 30 June 2020.

There were no other transactions with related parties during the year ended 30 June 2021.

NOTE 17: PARENT ENTITY INFORMATION

	Parent	
	2021	2020
	\$	\$
Current assets	3,125,774	1,933,016
Total assets	10,199,777	7,074,004
Current liabilities	(534,635)	(3,577,467)
Total liabilities	(469,620)	(3,577,467)
Net assets (liabilities)	9,730,157	5,429,553
Issued capital	82,495,915	76,575,647
Reserves	11,854,206	11,656,949
Accumulated losses	(84,619,965)	(82,803,043)
Total equity	9,730,157	5,429,553
Loss of the parent entity after tax	(2,838,524)	(1,418,116)
Other comprehensive income, net of tax	-	-
Total comprehensive (loss) profit of the parent entity	(2,538,524)	(1,418,116)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021****NOTE 18: KEY MANAGEMENT PERSONNEL DISCLOSURES**

Louis James Panaccio	Non-Executive Chairman (Appointed 19 December 2019)
Glenn Tong	Managing Director (Appointed Director 19 December 2019, Executive Director from 11 June 2020)
Steven Jiayi Yu	Non-Executive Director (Appointed 28 March 2019)
Andrew David Bristow	Non-Executive Director (Appointed 19 June 2020, resigned 18 February 2021)
Gregory Starr	Non-Executive Director and Company Secretary (Resigned as Non-Executive Director on 23 September 2020 and as Company Secretary 25 May 2020)
Catriona Glover	Company Secretary (Appointed 25 May 2021)

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

NOTE 19: AUDITOR'S REMUNERATION

	Consolidated 2021	2020
	\$	\$
Audit Services – Hall Chadwick		
- auditing or reviewing the financial statements	51,865	44,000
Other Services – Hall Chadwick		
- General advice	39,000	22,000
	<u>90,865</u>	<u>66,000</u>

NOTE 20: FINANCIAL REPORTING BY SEGMENTS

The Board of Directors for VGI Health Technology Limited reviews internal reports prepared by management and strategic decisions of the Company are determined upon analysis of these internal reports. During the Reporting Period, the Company operated predominantly in one business and geographical segment, being Health technology and development. Accordingly, under the 'management approach' outlined, one operating segment has been identified and no further disclosure is required in the notes to the financial statements.

NOTE 21: FINANCIAL INSTRUMENTS**Capital risk management**

Prudent capital risk management implies maintaining sufficient cash and marketable securities to ensure continuity to be able to conduct the Company's business in an orderly and professional manner. The Board monitors its future capital requirements on a regular basis and will when appropriate, consider the need for raising additional equity capital.

The capital structure of the Company consists of debt, which includes borrowings and convertible notes disclosed in note 11 and note 12, and equity attributable to equity holders comprising capital, reserves and retained earnings or accumulated losses as disclosed in note 13.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

Interest rate risk

The Company's exposure to risks of changes in market interest rates relates primarily to the Company's cash and borrowing balances. The Company constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing positions and the mix of fixed and variable interest rates. As the Company has no variable interest bearing loans its exposure to interest rate movements is limited to the amount of interest income it can potentially earn on surplus cash deposits. The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance date.

At balance date, the following table details the Company's expected maturity for its non-derivative financial assets and liabilities. These have been drawn up based on undiscounted contractual maturities on the financial instruments including interest that will be earned on these instruments.

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Consolidated - 2021	%	\$	\$	\$	\$	\$
Financial assets						
Cash and cash equivalents		226,769				
Trade and other receivables		59,594				
Total financial assets		286,363	-	-	-	-
Financial liabilities						
<i>Non-interest bearing</i>						
Trade payables	-	1,000,270	-	-	-	-
<i>Interest-bearing - fixed rate</i>						
R&D incentive loan advance	15	186,394	-	-	-	-
Premium Funding	5	21,812	-	-	-	-
Total financial liabilities		1,208,476	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Consolidated - 2020	%	\$	\$	\$	\$	\$
Financial assets						
Cash and cash equivalents		445,371				
Trade and other receivables		196,690				
Total financial assets		642,061	-	-	-	-
Financial liabilities						
<i>Non-interest bearing</i>						
Trade payables	-	1,402,591	-	-	-	-
<i>Interest-bearing - fixed rate</i>						
Convertible Notes	15	2,760,000	-	-	-	-
Other borrowings	5	180,375	-	-	-	-
Total financial liabilities		4,342,966	-	-	-	-

Financial risk management

The Company's financial instruments consist mainly of deposits with banks, accounts payable, borrowings and convertible notes.

The Company does not speculate in the trading of derivative instruments. The main risks the Company is exposed to through its financial instruments are interest rate risk and liquidity risk.

Liquidity risk

The Company manages interest rate and liquidity risk by monitoring immediate and forecast cash requirements and ensuring adequate cash reserves are maintained.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of Directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate cash reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 22: OPERATING SEGMENTS

The group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources. The reportable segment is represented by the primary statements forming this financial report.

NOTE 23: EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On 9 July 2021, following shareholder approval, the company advised that the company's name had officially changed to VGI Health Technology Limited (formerly Azure Health Technology Limited) with the Australian Securities and Investments Commission. The effective date of change for the NSX was the commencement of trading on Wednesday 14 July 2021. The Company's ticker code on NSX remained as VTL.

No matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

DIRECTORS' DECLARATION

1. In the opinion of the Directors of VGI Health Technology Limited ("the Company"):

a) the accompanying financial statements and notes are 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 2021 and of its performance for the year then ended; and

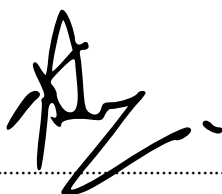
ii) complying with Australian Accounting Standards applicable to the Company, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards;

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) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2021.

This declaration is signed in accordance with a resolution of the Board of Directors.



.....
Louis Panaccio
Chairman
SYDNEY, New South Wales
7 September 2021

VGI HEALTH TECHNOLOGY LIMITED
ABN 31 111 082 485
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
VGI HEALTH TECHNOLOGY LIMITED

Opinion

We have audited the financial report of VGI Health Technology Limited and its controlled entities (the group) which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period then ended and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the group 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 2021 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis of Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the group 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* (the Code) that are relevant to our audit of the 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*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Going Concern

We draw attention to Note 1(a) to the financial statements, which indicates the group has incurred a net loss after tax of \$3,904,115 and generated net operating cash outflows of \$3,303,407 for the year ended 30 June 2021. This condition along with other matters set forth in Note 1(a) indicate the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore, the group may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report. Our opinion is not modified in respect of this matter.

VGI HEALTH TECHNOLOGY LIMITED
ABN 31 111 082 485
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
VGI HEALTH TECHNOLOGY LIMITED

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the year ended 30 June 2021. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Intangible assets	
<p>Valuation of intellectual property – Note 14</p> <p>On 11 June 2020, the company acquired 100% of the issued share capital of Invictus BioPharma Ltd ("Invictus Acquisition"), a group that is developing and commercialising novel nutraceutical and prescription medicines based on natural products (tocotrienols) which have wide therapeutic potential. The Invictus group owns and controls patent and other intellectual property rights for novel approaches to delivering tocotrienols directly to the target tissues. The acquisition complements the group's existing business, which is to research, develop, distribute and market a range of health and therapeutic products and technologies, including innovative drugs and wellbeing supplements.</p> <p>As part of the acquisition, the Group acquired intellectual property amounting to \$8,754,237.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Reviewing the external valuation of the Intellectual property acquired by the group, including reviewing the methodology adopted, discounted cash flow calculations, inputs and assumptions used in the discounted cash flow models. • Reviewing the adequacy of the group's disclosures in respect of the accounting treatment in the financial statements, including the significant judgments involved, and the accounting policies adopted.
Convertible notes	
<p>Conversion of convertible notes to shares – Note 14</p> <p>In June 2020, the Company required working capital funding. Certain investors provided this funding via convertible notes. A total of \$2,760,000 was loaned via the convertible notes. A further \$693,268 convertible notes were issued in September 2020.</p> <p>A total of \$2,776,768 of convertible notes were converted to 16,894,943 ordinary shares on 21 April 2021. The remaining \$676,500 convertible notes were converted to 3,979,412 shares on 11 May 2021.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the convertible notes by inspecting supporting documents. • Holding discussions with management to understand the specific aspects of the transaction and reviewing management's accounting treatment of the conversion to shares. • Reviewing the adequacy of the group's disclosures in respect of the accounting treatment in the financial statements, including the significant judgments involved, and the accounting policies adopted.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the group's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australia Accounting Standards and the Corporations Act 2001 and for such internal control as 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 preparing the financial report, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.

VGI HEALTH TECHNOLOGY LIMITED
ABN 31 111 082 485
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
VGI HEALTH TECHNOLOGY LIMITED

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



HALL CHADWICK (NSW)
Level 40, 2 Park Street
Sydney NSW 2000



DREW TOWNSEND
Partner
Dated: 7 September 2021

SUPPLEMENTARY INFORMATION

The shareholder information set out below was applicable as at 30 June 2021

(i) Distribution schedule of Fully paid Ordinary Shares (ASX: VTL)

Range	Securities	%	No of Holders	%
10,000,001 and Over	105,094,849	76.02	4	0.19
1,000,001 to 10,000,000	23,053,014	16.68	8	0.38
100,001 to 1,000,000	7,592,425	5.49	21	1.00
1 to 100,000	2,508,330	1.81	2,062	98.42
Total	105,037,167	100	2,037	100

There were 1,957 holders of less than a marketable parcel of ordinary shares.

Twenty Largest Shareholders

The names of the twenty largest shareholders as at 30 June 2021 were as follows:

Rank	Shareholder Name	Holding	%
1	WEI JIANG	56,031,128	40.53%
2	KR AND GT NOMINEES PTY LTD	24,928,856	18.03%
3	VGI BIG BANG PTY LTD	13,721,711	9.93%
4	REEF INVESTMENTS PTY LTD	10,413,154	7.53%
5	BLUESTONE FUND MANAGEMENT PTY	6,704,268	4.85%
6	MS JIALING YU	4,158,962	3.01%
7	WISDOM PERPETUAL PTY LTD	3,426,484	2.48%
8	JM NATIONAL PROPERTY PTY LTD	2,225,791	1.61%
9	VALORTON CAPITAL PTY LTD	1,842,406	1.33%
10	KATRINA MATHAI &	1,780,633	1.29%
11	JEFFREY MARK HANLON	1,775,163	1.28%
12	TEARUM ADVISORS PTY LTD	1,139,307	0.82%
13	GANESON-ECKHART PTY LTD	940,174	0.68%
14	TERCUS PTY LTD	890,316	0.64%
15	ALM WILLIAMS ADVISORS PTY LTD	534,190	0.39%
16	ICE COLD INVESTMENTS PTY LTD	484,955	0.35%
17	GREGORY MACOSKO	473,776	0.34%
18	MR BRADLEY JOHN HARRIS	466,518	0.34%
19	RPK NOMINEES PTY LTD	458,331	0.33%
20	ADMAN LANES PTY LTD	445,158	0.32%
	Top 20	132,841,281	96.09%

Substantial Shareholders

Substantial shareholders in the Company as disclosed in the substantial shareholder notices given to the Company as at 30 June 2021 were:

No. of Shares

Wei Jiang	56,031,128	40.53%
KR and GT Nominees Pty Ltd	24,928,856	18.03%
VGI Big Bang Pty Ltd	13,721,711	9.93%

SUPPLEMENTARY INFORMATION

Voting Rights

The voting rights attaching to each class of equity securities are set out below:

(i) Ordinary shares: Subject to any rights or restrictions for the time being attached to any class of shares, at a meeting of shareholders each shareholders entitled to vote may vote in person or by proxy or attorney or, being a corporation, by representative duly authorised under the Corporations Law, and has one vote on a show of hands and one vote per fully paid share on a poll

(ii) *Options: No voting rights.*

On-market Buy-back

Currently there is no on-market buy-back of the Company's securities.

Restricted Securities

The Company has:

- 54,225,483 ordinary shares on issue which are escrowed for 12 months from the date of listing; and
- 25,819,172 ordinary shares on issue which are escrowed for 24 months from the date of listing.

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

There were 1,349 holders of less than a marketable parcel of ordinary shares.