

ASX Announcement

8 July 2020

Accounts for the half-year ended 31 December 2019

The directors of Kollakorn Corporation Limited (ASX: KKL) (“the Company”) are very pleased to present the half-yearly accounts of the Company and its controlled entities (“the Group”) to 31 December 2019.

The highlights are:

- Revenue increased from the comparative period by 113% to \$26,896 (2018: \$12,615). This was due to an increase in revenue from the sale of tags which increased to \$26,896 (2018: \$12,615) for the half-year. An increase in volume from a US based customer resulted in higher sales and revenue.
- The Group made a loss after tax for the half-year of \$2,797,530 (2018: \$580,278), an increase from the previous comparative period of 382%.
- Total liabilities increased from the previous period by 87% to \$6,075,497 (30 June 2019: \$3,252,888) largely due to the increased level of creditors associated with our R&D efforts on CertainID and Waste Conversion. The conditions applicable to these expenses is that, payment of them is subject to the successful financial close of both the CertainID and Waste Conversion projects to which the expense directly applies. These expenses have been structured as non-current liabilities that are only payable when the Company successfully achieves the successful financial close of the respective projects, therefore maximising benefit to shareholders.

Operations

General Overview

The first half of the 2020 Financial Year has been dominated by our efforts to pursue our strategy around Waste Conversion and to have the current trading suspension on Kollakorn securities lifted by ASX. Trading in the securities of Kollakorn was temporarily paused on 2 September 2019. They were later suspended from quotation under listing rule 17.3, pending enquiries by ASX into the opinions from the auditors of Kollakorn’s 2019 accounts. Whilst the current trading suspension remains in place, the Company has been working closely with ASX to answer the queries raised by ASX in initial correspondence received on 12 November 2019 and follow up correspondence since that date. These initial responses have been released by ASX to the market. Further announcements will be released as we continue the process of having the suspension lifted by ASX.

Waste Conversion

Our focus continues to be establishing the foundations of our Waste Conversion Strategy. At the Annual General Meeting (“AGM”) held in November 2019, the company explained in great detail the efforts made to date. We continue to work closely with Bio Carbon Fuels (BCF) to position their cutting-edge technologies in waste conversion to take advantage of the waste streams available in Australia. As previously described, BCF’s patented Waste Conversion technology is a process that takes all waste streams from Municipal Solid Waste (metals, wood, tires, plastics, foodstuffs, green waste, construction debris, sewage sludge, etc.) and converts it into an engineered fuel feedstock that provides clean, renewable energy to any gasification or pyrolysis processes. With BCF and our other technology partners, we have been developing our program for R&D support to develop the most efficient energy from waste technology specifically for Australian conditions, including the addition of biomass to the feedstock, and the production of hydrogen.

We have identified world-class partners, including for the engineering design and construction, plus we have identified the location for our first Australian facility. It is our intention to commence Pre-FEED engineering

works as soon as possible after our trading suspension is lifted, and to then formally announce details of our programs to the market. To this end, we have engaged external counsel to assist us in having our suspension lifted so that we can immediately commence this work.

CertainID

During the first half of the financial year and leading into the second half, the company has continued to work to progress the development of CertainID. This has included our CEO travelling to Singapore to meet with Infinity Optics Pte Ltd, to continue to develop our go to market approach. We completed our initial product Research and Development work with CSIRO/Data61 and are now focused on the next stage in our development to bring CertainID to a higher Technology Readiness Level (TRL) to allow commercialisation in financial transactions, records management, building access control, facilities management, and other device and network-based transactions. As mentioned at the AGM, we applied to be part of a project being undertaken by AustCyber, the Australian Cyber Security Growth Network, part of the Federal Governments cybersecurity strategy, to support this next stage of development. Unfortunately, while we made it through to the final rounds of the program, we were unsuccessful in our application. The feedback from AustCyber was very positive and supportive of CertainID. We successfully made it to the last decision-making stage. Our technology and strategic plans met most of the selection criteria but was not able to meet all the AustCyber merit criteria. AustCyber remains supportive of CertainID and has assisted the Company identify other appropriate avenues for commercialisation.

Break on Removal Tags

A larger order than normal was placed from an existing US based customer, increasing our tag revenues in the first half of the year. In Malaysia, positive progress is continuing. Meetings between our partner and the Government of Malaysia have continued. We have provided our partner with sample tags for initial testing, and we remain confident that there will be a more substantial trial in the next few months. The CEO has travelled to Malaysia to meet with our partner, and we remain in regular communication over the last few months as we ensure our tags meet the Malaysian specifications. We have agreed in principle the terms of any sale of tags once our partner has received confirmation that firstly a pilot, and then a more substantial roll out has been approved.

Prospects in Myanmar continue to slowly progress. At the AGM it was explained that the Government of Myanmar had chosen their technical consultant for the development of a tender process for the rollout of a tagging solution for the country. There has been a delay of more than 12 months. We have reengaged with our Myanmar partner and with Kollakorn Co. Ltd (Kollakorn Thailand) and will be continuing to support the development of our solution to the Government throughout 2020. We don't expect any significant developments until the second half of 2020.

Patents

We have continued to manage our portfolio of patents. Our IP remains critical to our company, and we continue to vigorously protect our patents in the marketplace. We continued to delete Patents from our portfolio that are no longer relevant or viable and maintain those specifically relevant to CertainID and our Break on Removal tamper evident tags.

Cash Flow

Cash flow continues to be carefully managed. We have been able to support the funding of development work for CertainID and Waste Conversion through R&D programs and a share placement in August/September 2019. This capital raising specifically supported the ongoing development of these two projects.

In addition, the Board has satisfied themselves as to the reasonableness of the trade payables current/non-current split. We can confirm that the balances are included as non-current as the Company has an unconditional right to defer settlement for at least 12 months after 31 December 2019. Specific creditors are in addition only payable on the successful financial closure of our Waste Conversion and CertainID Projects, as highlighted in the accounts. Thus, the loss is attributable to invoices accrued that are only payable on successful implementation.

Isity

As detailed at the AGM, the Board continues to be confident that there are growth opportunities in both Sustainable Building Infrastructure and Waste Conversion. In the first instance, we are concentrating our efforts on Waste Conversion opportunities in Australia where the current environment is far more conducive to supporting our strategy. The significant projects in China, remain, and are replicated in scale by potential opportunities in Australia.

As we develop our technical capability and business development capacity, we will extend that focus back to Asia Pacific Markets, including the Isity projects based in China.



Mr Riad Tayeh
Non-executive chairman

Kollakorn Corporation Limited
ABN 41 003 218 862

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Appendix 4D

**INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

Period 1 July 2019 to 31 December 2019

(Previous Corresponding Period 1 July 2018 to 31 December 2018)

Appendix 4D

Interim Financial Report

Name of entity

Kollakorn Corporation Limited

ABN or equivalent
company reference

Half-yearly
(tick)

Preliminary
final *(tick)*

Financial half-year ended ('current period')

41 003 218 862



31 December 2019

1. Results for Announcement to the Market

Results	A\$		
Revenues from ordinary activities	Up	113% to	26,896
Profit (Loss) from ordinary activities after tax attributable to members	Down	382% to	(2,797,530)
Net Profit (Loss) for the period attributable to members	Down	382% to	(2,797,530)
Dividends (distributions)			
	Amount per security		Franked amount per security
Final dividend	NIL		NIL
Previous corresponding period	NIL		NIL
Record date for determining entitlements to the dividend	N/A		
<p>The Company does not have a dividend reinvestment plan and no dividends are proposed to be declared for the current year.</p> <p>Note: This Appendix 4D should be read in conjunction with the Commentary on the Results of the Interim Financial Report for the half-year ended 31 December 2019, with the accompanying notes to the Appendix 4D, and with the most recent annual financial report.</p>			

2. Net Tangible Assets

	Half-year ended 31 December 2019 Cents	Year ended 30 June 2019 Cents
Net tangible assets per ordinary security	(1.47)	(1.69)

3. Control Gained Over Entities

Not applicable.

4. Loss of Control Over Entities

Not applicable.

5. Details of Associates and Joint Venture Entities

Not applicable.

6. Audit Qualification or Review

The financial statements were subject to a review by the auditors of the Company. The review report is attached as part of the Interim Financial Report and includes a qualified opinion.

7. Attachments

The Interim Financial Report of the Company for the half-year ended 31 December 2019 is attached.

**Interim financial report
for the half-year ended 31 December 2019**

Contents	Pages
Directors' report	1
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Directors' report for the half-year ended 31 December 2019

The directors of Kollakorn Corporation Limited (“the Company”) submit this interim financial report of Kollakorn Corporation Limited and its controlled entities (“the Group”) for the half-year ended 31 December 2019. In order to comply with the provisions of the *Corporations Act 2001*, the directors' report as follows:

1. Directors and secretary

The following persons were directors and secretaries of the Company during the whole of the half-year and up to the date of this report, except where indicated otherwise:

Directors

- Riad Tayeh (Chairman)
- Nicholas Aston
- Charles Hunting

Secretary

- Tom Bloomfield

2. Principal activities

The principal activities of the Group during the half-year consisted of the development, marketing and commercialisation of security oriented identification, authentication and information storage technologies, and Sustainable Building Infrastructure and Waste to Energy technologies.

3. Review of operations for the half-year

For further commentary about the half-year accounts please refer to the attached covering letter.

4. Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the half-year.

5. Auditor's independence declaration under S307C of the *Corporations Act 2001*

The Auditor's independence declaration is included on page 2 of the half-year report.

Signed in accordance with a resolution of directors made pursuant to S306 (3) (a) of the *Corporations Act 2001*.



Chairman

Sydney, 8 July 2020

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Kollakorn Corporation Limited for the half year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

RSM

RSM AUSTRALIA PARTNERS

A handwritten signature in blue ink, appearing to read "G N Sherwood", with the initials "GNS" written to the right.

G N SHERWOOD
Partner

Sydney, NSW
Dated: 8 July 2020

RSM Australia Partners

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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
KOLLAKORN CORPORATION LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Kollakorn Corporation Limited ("the company") which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Kollakorn Corporation Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Kollakorn Corporation Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Basis for Qualified Conclusion

Carrying value of goodwill

As disclosed in Note 4, the consolidated entity's goodwill is carried at \$2,106,622 in the consolidated statement of financial position at 31 December 2019. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of Kollakorn Corporation Limited's goodwill as at 31 December 2019 because the forecast on which the impairment model is based includes assumptions for future revenue streams for which no signed contracts exist, and over which we were unable to gain other appropriate audit evidence. Consequently, we were unable to determine whether any adjustments to this amount was necessary.

Carrying value of financial assets at fair value through other comprehensive income

As disclosed in Note 3, the consolidated entity's investment in Kollakorn Co. Limited (Thailand) is carried at \$1,500,000 in the consolidated statement of financial position at 31 December 2019. The consolidated entity lost significant influence over Kollakorn Co. Limited (Thailand) in July 2018, and it was classified as a financial asset at fair value through other comprehensive income at this time. We were unable to obtain sufficient appropriate audit evidence about the initial fair value of the investment in July 2018, or about the carrying amount of the investment as at 31 December 2019, because discounted cash flow on which fair value has been determined includes assumptions for future revenue which are not contractual or committed and cannot be verified. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Conclusion

Except for the adjustments to the half-year financial report that we might have become aware of had it not been for the matters described above, based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Kollakorn Corporation Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(c) in the financial report, which indicates that the consolidated entity incurred a net loss of \$2,797,530, had net liabilities of \$1,921,343 at 31 December 2019 and net cash outflows from operating activities of \$146,168 during the half year ended 31 December 2019. As stated in Note 1(c), these events or conditions, along with other matters as set forth in Note 1(c), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not further modified in respect of this matter.



RSM AUSTRALIA PARTNERS



G N SHERWOOD
Partner

Sydney, NSW, dated 10 July 2020

**Directors' declaration
for the half-year ended 31 December 2019**

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, *Australian Accounting Standard 134: Interim Financial Reporting*, *the Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to s303 (5)(a) of the *Corporations Act 2001*.

On behalf of the directors.



Riad Tayeh
Chairman

Sydney, 8 July 2020

**Consolidated statement of profit or loss and other comprehensive income
 for the half-year ended 31 December 2019**

	Half-year ended 31 December 2019	Half-year ended 31 December 2018
	\$	\$
Continuing operations		
Revenue from sale of goods	26,896	12,615
Other revenue	328,414	297,663
Expenses by function:-		
Administration and general	(377,623)	(487,407)
Finance costs	(25,982)	(27,997)
Foreign exchange gain/(loss)	764	(2,011)
Research and development	(2,750,000)	(249,683)
Share of loss of associates accounted for using the equity method	-	(123,458)
Loss before tax from continuing operations	(2,797,530)	(580,278)
Income tax benefit	-	-
Loss for the period from continuing operations	(2,797,530)	(580,278)
Net operating loss for the period	(2,797,530)	(580,278)
Other comprehensive income		
Items that will be reclassified subsequently to profit or loss when specific conditions are met:		
Exchange differences arising on translation of foreign operations	(6,090)	621,295
Other comprehensive income/(loss) for the period	(6,090)	621,295
Total comprehensive income/(loss) for the period	(2,803,620)	41,017
Loss attributable to:		
Members of the parent entity	(2,797,530)	(580,278)
Total comprehensive income/(loss) attributable to:		
Members of the parent entity	(2,803,620)	41,017
Earnings per share		
Basic (cents)	(1.20)	(0.28)
Diluted (cents)	(1.20)	(0.28)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

**Consolidated statement of financial position
 as at 31 December 2019**

	Note	31 December 2019 \$	30 June 2019 \$
Current Assets			
Cash assets		38,898	9,558
Trade and other receivables	5	508,634	122,106
Other current assets		-	96,585
Total Current Assets		<u>547,532</u>	<u>228,249</u>
Non-Current Assets			
Property, plant and equipment		-	295
Intangible assets	4	2,106,622	2,106,622
Financial assets at fair value	3	1,500,000	1,500,000
Total Non-Current Assets		<u>3,606,622</u>	<u>3,606,917</u>
Total Assets		<u>4,154,154</u>	<u>3,835,166</u>
Current Liabilities			
Trade and other payables	6	242,749	973,116
Employee benefits	7	-	100,505
Borrowings	8	-	126,000
Total Current Liabilities		<u>242,749</u>	<u>1,199,621</u>
Non-Current Liabilities			
Trade and other payables	6	5,832,748	2,053,268
Total Non-Current Liabilities		<u>5,832,748</u>	<u>2,053,268</u>
Total Liabilities		<u>6,075,497</u>	<u>3,252,889</u>
Net Assets/(Liabilities)		<u>(1,921,343)</u>	<u>582,277</u>
Equity			
Issued capital	9	57,037,351	56,737,351
Reserves	10	1,956,521	1,962,611
Accumulated losses		(60,915,215)	(58,117,685)
Total Equity/(Deficit)		<u>(1,921,343)</u>	<u>582,277</u>

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

**Consolidated statement of changes in equity
 for the half-year ended 31 December 2019**

	Fully paid ordinary shares \$	Equity-settled employee benefits reserve \$	Foreign currency translation reserve \$	Options Reserve \$	Accumulated losses \$	Total \$
Balance at 1 July 2018	56,512,351	2,143,630	(304,933)	121,776	(53,922,586)	4,550,238
Loss for the period	-	-	-	-	(4,195,099)	(4,195,099)
Other comprehensive gain for the year, net of tax	-	-	2,138	-	-	2,138
Total comprehensive loss for the period	-	-	2,138	-	(4,195,099)	(4,192,961)
<i>Transactions with owners in their capacity as owners:</i>						
Issue of shares and options	225,000	-	-	-	-	225,000
Share-based payments	-	-	-	-	-	-
Balance at 30 June 2019	56,737,351	2,143,630	(302,795)	121,776	(58,117,685)	582,277
Balance at 1 July 2019	56,737,351	2,143,630	(302,795)	121,776	(58,117,685)	582,277
Loss for the period	-	-	-	-	(2,797,530)	(2,797,530)
Other comprehensive loss for the year, net of tax	-	-	(6,090)	-	-	(6,090)
Total comprehensive loss for the period	-	-	(6,090)	-	(2,797,530)	(2,803,620)
<i>Transactions with owners in their capacity as owners:</i>						
Issue of shares and options	300,000	-	-	-	-	300,000
Share-based payments	-	-	-	-	-	-
Balance at 31 December 2019	57,037,351	2,143,630	(308,885)	121,776	(60,915,215)	(1,921,343)

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

**Consolidated statement of cash flows
 for the half-year ended 31 December 2019**

	Half-year ended 31 December 2019	Half-year ended 31 December 2018
	\$	\$
Cash flows from operating activities		
Receipts from customers	26,896	12,615
R&D tax benefit	-	297,643
Payments to suppliers and employees	(173,064)	(357,016)
Finance costs	-	(27,997)
	<hr/>	<hr/>
Net cash used by operating activities	(146,168)	(74,755)
Cash flows from investing activities		
Interest received	<hr/> 18	<hr/> 19
Net cash provided by investing activities	<hr/> 18	<hr/> 19
Cash flows from financing activities		
Proceeds from the issue of shares	300,000	100,000
Repayment of borrowings	<hr/> (126,000)	<hr/> -
Net cash provided by financing activities	<hr/> 174,000	<hr/> 100,000
Net increase in cash and cash equivalents	27,850	25,264
Cash and cash equivalents at the beginning of the half-year	9,558	17,655
Effects of exchange rate changes on cash and cash equivalents	<hr/> 1,490	<hr/> 21
Cash and cash equivalents at the end of the half-year	<hr/> 38,898	<hr/> 42,940

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

Notes to the financial statements

Note 1: Summary of significant accounting policies

a) Basis of Preparation

These general purpose financial statements for the half-year reporting period ended 31 December 2019 (“the half-year”) have been prepared in accordance with Australian Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34: Interim Financial Reporting.

These financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements should be read in conjunction with the annual financial statements for the Group for the year ended 30 June 2019 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except in relation to the matters discussed below.

Critical Accounting Estimates and Judgments

The critical estimates and judgments are consistent with those applied and disclosed in the 30 June 2019 annual report.

b) New or Amended Accounting Standards and Interpretations

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (“AASB”) that a mandatory for the current half-year reporting period. The adoption of new or amended Accounting Standards and Interpretations has not resulted in any material changes to the Group’s accounting policies and has no effect on the amounts reported for the current or prior periods.

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

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. There were no material impact due to the adoption of this standard.

Notes to the financial statements (continued)

c) Going concern

The financial statements have been prepared on the going concern basis, which contemplates the Group's ability to pay its debts as and when they become due and payable for a period of at least 12 months from the date of authorising the financial report for issue. As disclosed in the financial statements, the Group made a loss of \$2,797,530, had net liabilities of \$1,921,343 at 31 December 2019 and net cash outflows from operating activities of \$146,168 for the half year ended 31 December 2019.

The ability of the Group to continue as a going concern is dependent on a number of factors, the most significant of which are:

- The continued support of its creditors;
- The ability of the Company to source sufficient capital or other funding to settle the Group's outstanding current liabilities;
- The Group's ability to generate continuing revenue streams from the RFID technology and its other businesses; and
- The Group's ability to generate continuing revenue streams from waste conversion.

These factors indicate material uncertainty as to whether the Group will continue as a going concern and, therefore, the Group may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors are of the opinion that there are reasonable grounds to believe the Group will be able to continue as a going concern, after consideration of the following factors:

- The Group has the ability to continue to raise additional funds on a timely basis, pursuant to the *Corporations Act 2001*;
- The Directors anticipate closing significant sales contracts during the next 12 months, which will increase operating cash flow;
- The Group has the ability to scale back certain parts of its activities that are non-essential so as to conserve cash; and
- The Directors regularly monitor the Group's cash position and, on an on-going basis, consider a number of strategic initiatives to ensure that adequate funding continues to be available.

Accordingly, the Directors believe that the Group will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

As at the date of approval of the financial report, the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded. Accordingly, the financial statements do not include any adjustments relating to the recoverability or classification of recorded assets nor to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Note 2: Operating segments

The Group is organised into three operating segments based on differences in products and services provided. The operating are identified on the basis of internal reports reviewed and used by the chief executive officer, who is the CODM, in order to assess performance and allocate resources. There is no aggregation of operating segments.

Products and services from which reportable segments derive their revenues

Information reported to the Group's CODM for the purposes of resource allocation and assessment of performance is focused on revenue for each type of good. The principal categories of customer for these goods are direct sales to major customers, wholesalers, retailers and internet sales. The Group's reportable segments under AASB 8 are therefore:

- Automated Vehicle Identification ("AVI");
- Waste to Energy; and
- CertainID.

There was no revenue reported in Waste to Energy segment, CertainID, the consolidated entity's bio-authentication technology, earned no revenue in the period as this technology is still in a developmental stage.

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

Notes to the financial statements (continued)

Note 2: Operating segments (continued)

Operating segment revenues and results

The following is an analysis of the Group's revenue and results, and assets by reportable operating segment for the half-year:

31 December 2019	AVI \$	Waste to Energy \$	CertainID \$	Other segments \$	Total \$
Revenue					
Sales to external customers	26,896	-	-	-	26,896
Total segment revenue	26,896	-	-	-	26,896
<i>Unallocated revenue</i>					
Interest revenue					250
Total revenue					27,146
EBITDA	26,896	(2,750,000)	-	(376,798)	(3,099,962)
Depreciation and amortisation	-	-	-	-	-
EBIT	26,896	(2,750,000)	-	(376,798)	(3,099,962)
Other revenue					328,414
Finance costs					(25,982)
Loss for the year before tax					(2,797,530)
Loss for the year					(2,797,530)
Assets					
Segment assets	1,503,937	122,378	-	1,980,741	3,607,056
<i>Unallocated assets</i>					
Cash and cash equivalents					38,465
Trade and other receivables					508,634
Total assets					4,154,155
Liabilities					
Segment liabilities	-	2,915,000	-	2,917,748	5,832,748
<i>Unallocated liabilities</i>					
Trade and other payables					242,749
Other financial liabilities					-
Total liabilities					6,075,497

Revenue reported above represents revenue from external customers. There were no inter-segment sales in the year (2019: \$nil).

Segment losses represent the losses incurred by each segment without allocation of central administration costs and directors' salaries, share of profits or associates, investment revenue and finance costs, income tax expenses and gains or losses on disposal of associates and discontinued operations. This is the measure reported to the CODM for the purposes of assessing segment performance and for resource allocation.

Notes to the financial statements (continued)

Note 2: Operating segments (continued)

31 December 2018	AVI \$	Smart&Secure \$	TransitVault & CertainID \$	Other segments \$	Total \$
Revenue					
Sales to external customers	12,615	-	-	-	12,615
Total segment revenue	12,615	-	-	-	12,615
<i>Unallocated revenue</i>					
Interest revenue					19
Total revenue					<u>12,634</u>
EBITDA					
EBITDA	12,555	-	-	(739,041)	(726,486)
Depreciation and amortisation	-	-	-	-	-
	12,555	-	-	(739,041)	(726,486)
Interest revenue					297,663
Finance costs					(27,997)
Share of loss from associates					(123,458)
Loss before income tax expense					(580,278)
Loss after income tax expense					<u>(580,278)</u>
Assets					
Segment assets	4,994,346	2,231,691	-	-	7,226,037
<i>Unallocated assets</i>					
Cash and cash equivalents					29,329
Trade and other receivables					108,805
Total assets					<u>7,364,171</u>
Liabilities					
Segment liabilities	-	149,665	174,740	-	324,405
<i>Unallocated liabilities</i>					
Trade and other payables					2,348,511
Other financial liabilities					-
Total liabilities					2,672,916

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

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

Notes to the financial statements (continued)

Note 3. Financial assets at fair value through other comprehensive income

	31 December 2019	30 June 2019
Kollakorn Co., Ltd	<u>1,500,000</u>	<u>1,500,000</u>
	<u>1,500,000</u>	<u>1,500,000</u>

Refer below for further information on fair value measurement.

1. Fair Value measurement

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated – 2019	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<i>Assets</i>				
Financial asset at fair value	-	-	\$1,500,000	\$1,500,000
Total assets	-	-	\$1,500,000	\$1,500,000

Consolidated – 2018	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<i>Assets</i>				
Financial asset at fair value	-	-	\$1,500,000	\$1,500,000
Total assets	-	-	\$1,500,000	\$1,500,000

Unquoted investments have been valued using a discounted cash flow model for amounts shown under Level 3, as disclosed.

Note 4. Intangible assets

	31 December 2019	30 June 2019
	\$	\$
Goodwill	<u>2,106,622</u>	<u>2,106,622</u>

Reconciliation of the written down value at the beginning and end of the half-year

	Total
	\$
Balance at 1 July 2019	2,106,622
Acquisition of subsidiary	-
Amortisation expense	-
Balance at 31 December 2019	<u>2,106,622</u>

Note 5. Trade and other receivables

	31 December 2019	30 June 2019
	\$	\$
<i>Current</i>		
<i>Other receivables</i>		
R & D Tax Offset Receivable	328,396	-
GST Receivable	129,346	16,277
Other Debtors	50,892	105,829
Total Trade and other receivables	<u>508,634</u>	<u>122,106</u>

Notes to the financial statements (continued)

Note 6. Trade and other payables

	31 December 2019	30 June 2019
	\$	\$
<i>Current</i>		
Trade payables	226,249	441,486
<i>Other payables</i>		
Accrued expenses	16,500	113,891
Sealy Consulting Pty Ltd	-	417,739
Total other payables	<u>16,500</u>	<u>531,630</u>
Total current payables	<u>242,749</u>	<u>973,116</u>
<i>Non-Current</i>		
Trade and other payables		
Related Party Payables	1,861,886	1,430,062
Subject to Successful Financial Close	3,538,205	623,205
Sealy Consulting Pty Ltd	432,657	-
Total trade and other payables	<u>5,832,748</u>	<u>2,053,268</u>

(a) Non-Current payables not due within 12 months to related parties or as agreed under contracts.

(b) Sealy Consulting Pty Ltd is an Australian private company controlled by Mr Richard Sealy, the Company's former Management Director. The amount payable to Sealy Consulting Pty Ltd represents unpaid consulting fees and bears interest at a rate of 7% per annum.

Note 7. Employee benefits

	31 December 2019	30 June 2019
	\$	\$
<i>Current</i>		
Provision for annual leave	-	100,505
	<u>-</u>	<u>100,505</u>

Note 8. Borrowings

	31 December 2019	30 June 2019
	\$	\$
<i>Current</i>		
Loan – Mitchell Asset Management Innovation Finance Fund	-	126,000
	<u>-</u>	<u>126,000</u>

Mitchell Asset Management Innovation Finance Fund are a non-related company. Borrowing was repaid on 25 November 2019.

Notes to the financial statements (continued)

Note 9. Issued capital

	31 December 2019		31 December 2019	
	#	30 June 2019 #	\$	30 June 2019 \$
Ordinary shares	240,822,940	209,777,191	57,037,351	56,737,351
Performance shares	74,999,999	74,999,999	-	-
	315,822,939	284,777,190	57,037,351	56,737,351
Balance	30-Jun-17	1,113,310,077		51,025,167
Issue of shares – debt to equity	3-Jul-17	314,404,682	0.008	2,437,184
Consolidation of shares	12-Jul-17	(1,284,942,877)		
Issue of shares – acquisition of Isity Global	24-Jul-17	31,250,000	0.08	2,500,000
Issue of shares – share-based payments	9-Oct-17	5,139,925		
Issue of shares – capital raising	6-Nov-17	9,615,384	0.052	500,000
Issue of shares – capital raising	23-Feb-18	1,000,000	0.05	50,000
Balance	30-Jun-18	189,777,191		56,512,351
Issue of shares – capital raising	24-Oct-18	20,000,000	0.01	200,000
Issue of shares – capital raising	24-May-19	-	0.01	25,000
Balance	30-Jun-19	209,777,191	-	56,737,351
Issue of shares – capital raising (a)	16-July-19	8,823,528	0.01	50,000
Issue of shares – capital raising (b)	22-Aug-19	8,888,888	0.01	100,000
Issue of shares – capital raising (c)	26-Aug-19	13,333,333	0.01	150,000
Balance	31-Dec-19	240,822,940		57,037,351

Ordinary shares

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

Performance shares

Performance shares are unlisted, non-transferable and do not carry any entitlement to vote, share in dividends or proceeds on winding up of the Company.

Performance shares entitled the holder to convert, subject to meeting the “performance milestones”, each performance share into one ordinary share on or before 30 June 2020. The performance milestones are:

- the Revenue contributed by Isity Global in the financial year ending 30 June 2020 shall be equal to or exceed \$100,000,000; and
- that earnings before interest, taxation, depreciation and amortisation (“EBITDA”) in the financial year ending 30 June 2020 shall equal or exceed \$30,000,000.

Shares Issued in the Half-Year

- On 16 July 2019, the Company issued 8,882,528 ordinary shares at \$0.01 consideration per share under the Company’s 10% Placement Facility which was approved by shareholders at the Annual General Meeting held on 28 November 2019.
- On 22 August 2019, the Company issued 8,888,888 ordinary shares at \$0.01 consideration per share under the Company’s 10% Placement Facility which was approved by shareholders at the Annual General Meeting held on 28 November 2019.

Notes to the financial statements (continued)

- (c) On 26 August 2019, the Company issued 13,333,333 ordinary shares at \$0.01 consideration per share under the Company's 10% Placement Facility which was approved by shareholders at the Annual General Meeting held on 28 November 2019.

Note 10. Reserves

As at 31 December 2019, reserves comprise:

- equity-settled employee benefits reserve;
- foreign currency translation reserve; and
- options reserve.

Note 11. Contingent liabilities

At the date of this report, neither the Company nor the Group had any contingent liabilities.

Note 12. Events subsequent to reporting date

Subsequent to completing the 31 December 2019 Half Year Report, COVID-19 has impacted all businesses. Whilst the situation is fluid and changing daily, the Board holds that the effect of COVID-19 is a non-adjusting subsequent event. Whilst the full effects of COVID-19 may be very significant, the impact on Kollakorn cannot be estimated or quantified at this time. The Board has been informed that shutdown in Asia will have immediate effect on our potential Malaysian and Myanmar opportunities; however, the Board has no further information on when restrictions will be lifted to enable the programs to continue their development. The Company's actions to have the current trading suspension lifted are also impacted by our inability to progress these opportunities, which has also delayed the commencement of our Waste Conversion Pre FEED activities. The Company as such is exploring all avenues to support commencing this activity.

Note 13. Interest in subsidiaries

Set out below are the Group's subsidiaries at 31 December 2019. The subsidiaries listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's country of incorporation or registration is also its principal place of business.

Subsidiaries' financial statements used in the preparation of these financial statements have also been prepared as at the same reporting date as the Group's financial statements.

Name	Principal Place of Business / Country of Incorporation	Ownership interest	
		2019 %	2018 %
Kollakorn Imaging Systems Pty Limited (ii) (iii)	(a) Australia	100	100
Kollakorn (AVI) Pty Ltd(ii) (iii)	(a) Australia	100	100
Kollakorn (IP) Pty Ltd (ii) (iii)	(a) Australia	100	100
Mikoh Corporation	United States of America	100	100
Kollakorn Pty Limited (ii) (iii)	(a) Australia	100	100
Kollakorn Environment Services Pty Limited (ii) (iii) (iv)	(a) Australia	100	100
Isity Global Pte Limited	Singapore	100	100
Isity Global (Shanghai) Co., Ltd	China	100	100

- (a) These wholly owned subsidiaries are classified as small proprietary companies and, in accordance with the Corporations Act 2001 are relieved from the requirement to prepare and lodge audited financial statements with the Australian Securities and Investment Commission.

(i) Kollakorn Corporation Limited is the head entity within the tax-consolidated group.

(ii) These companies are members of the tax-consolidated group.

(iii) These wholly owned entities are classified as small proprietary entities and, in accordance with the Corporations Act 2001 are relieved from the requirement to prepare and lodge audited financial statements.

(iv) Kollakorn Technology Pty Ltd changed its name to Kollakorn Environmental Services Pty Ltd on 21 August 2019.