

Enlitic, Inc.

Delaware state file number 5518712

Interim Report - 30 June 2023

Enlitic, Inc.
Directors' report
30 June 2023

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Enlitic, Inc. (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 30 June 2023.

Directors

The following persons were Directors of Enlitic, Inc. during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

James Conyers	(appointed on 25 October 2021, resigned on 24 February 2023)
Lawrence Gozlan	
Justin Walter	(appointed on 25 October 2021, resigned on 9 February 2023)
Michael Sistenich	
Richi Yamada	(appointed 7 February 2023)

Principal activities

The Company's principal activity is to intelligently manage healthcare data using the power of artificial intelligence to expand capacity and improve clinical workflows and create a foundation for a real-world evidence medical image database for healthcare providers.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Review of operations

The loss for the Group after providing for income tax amounted to \$8,226,554 (30 June 2022: \$10,959,845).

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial half-year

No matter or circumstance has arisen since 30 June 2023 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.

Auditor's independence declaration

A copy of the auditor's independence declaration is set out immediately after this Directors' report.

This report is made in accordance with a resolution of Directors.

On behalf of the Directors



Lawrence Gozlan
Director

13 September 2023
Puglia, Italy



Michael Sistenich
Director

13 September 2023
Sydney, Australia

RSM Australia Pty Ltd

Level 21, 55 Collins Street Melbourne VIC 3000

PO Box 248 Collins Street West VIC 8007

T +61 (0) 3 9286 8000

F +61 (0) 3 9286 8199

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Enlitic, Inc. and its controlled entities for the half-year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Australian Professional Accounting Bodies in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

A handwritten signature in blue ink that reads "RSM".

RSM AUSTRALIA PTY LTD

A handwritten signature in blue ink that appears to read "M Parameswaran".

M PARAMESWARAN

Director

Melbourne, Victoria

Dated: 13 September 2023

THE POWER OF BEING UNDERSTOOD

AUDIT | TAX | CONSULTING

RSM Australia Pty Ltd is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Pty Ltd ACN 009 321 377 atf Birdanco Practice Trust ABN 65 319 382 479 trading as RSM

Liability limited by a scheme approved under Professional Standards Legislation

Enlitic, Inc.
Contents
30 June 2023

Consolidated statement of profit or loss and other comprehensive income	4
Consolidated statement of financial position	5
Consolidated statement of changes in equity	6
Consolidated statement of cash flows	7
Notes to the consolidated financial statements	8
Directors' declaration	13
Independent auditor's report to the members of Enlitic, Inc.	14

General information

The financial statements cover Enlitic, Inc. as a Group consisting of Enlitic, Inc. and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in US Dollars, which is Enlitic, Inc.'s functional and presentation currency.

Enlitic, Inc. is a company limited by shares, incorporated in the state of Delaware and is located in Fort Collins, Colorado. Its registered office and principal place of business are:

3420 E Harmony Road
Fort Collins
Colorado, USA 80528

A description of the nature of the Group's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 13 September 2023.

Enlitic, Inc.
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2023

		Consolidated	
		Half year	Half year
		ended 30	ended 30
	Note	June 2023	June 2022
		\$	\$
Revenue			
Revenue		272,566	454,057
Other income		31,058	101,073
Expenses			
Depreciation and amortisation expense		(242,607)	(492,784)
Employee benefit expenses	2	(5,212,244)	(6,287,552)
Marketing		(160,838)	(201,799)
Professional fees		(1,665,089)	(1,349,110)
Administration expenses		(3,931)	(7,922)
Other expenses		(470,730)	(698,663)
Subscriptions		(451,901)	(456,221)
Exchange loss		(3,970)	(102)
Travel		(262,851)	(238,242)
Fair value loss on derivative		-	(99,295)
Finance costs	2	(56,017)	(1,683,285)
Loss before income tax expense		(8,226,554)	(10,959,845)
Income tax expense		-	-
Loss after income tax expense for the half-year		(8,226,554)	(10,959,845)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(39,432)	(77,182)
Other comprehensive income for the half-year, net of tax		(39,432)	(77,182)
Total comprehensive income for the half-year		<u>(8,265,986)</u>	<u>(11,037,027)</u>

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

Enlitic, Inc.
Consolidated statement of financial position
As at 30 June 2023

		Consolidated	31 December
	Note	30 June 2023	2022
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		6,544,865	2,215,777
Trade and other receivables		95,888	38,491
Other assets		309,178	320,115
Total current assets		<u>6,949,931</u>	<u>2,574,383</u>
Non-current assets			
Property, plant and equipment		182,649	241,022
Right-of-use assets		90,674	272,023
Intangibles		9,708	12,241
Total non-current assets		<u>283,031</u>	<u>525,286</u>
Total assets		<u>7,232,962</u>	<u>3,099,669</u>
Liabilities			
Current liabilities			
Trade and other payables		1,376,970	548,343
Borrowings	3	-	23,925,879
Lease liabilities		103,561	308,338
Derivative financial instruments	4	-	5,981,470
Total current liabilities		<u>1,480,531</u>	<u>30,764,030</u>
Total liabilities		<u>1,480,531</u>	<u>30,764,030</u>
Net assets/(liabilities)		<u><u>5,752,431</u></u>	<u><u>(27,664,361)</u></u>
Equity			
Issued capital	5	100,310,117	58,759,786
Reserves	6	3,248,018	3,155,003
Accumulated losses		<u>(97,805,704)</u>	<u>(89,579,150)</u>
Total equity/(deficiency)		<u><u>5,752,431</u></u>	<u><u>(27,664,361)</u></u>

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

Enlitic, Inc.
Consolidated statement of changes in equity
For the half-year ended 30 June 2023

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total deficiency in equity \$
Balance at 1 January 2022	58,750,902	2,957,695	(64,538,331)	(2,829,734)
Loss after income tax expense for the half-year	-	-	(10,959,845)	(10,959,845)
Other comprehensive income for the half-year, net of tax	-	(77,182)	-	(77,182)
Total comprehensive income for the half-year	-	(77,182)	(10,959,845)	(11,037,027)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	4,531	-	-	4,531
Share-based payments	-	137,392	-	137,392
Balance at 30 June 2022	<u>58,755,433</u>	<u>3,017,905</u>	<u>(75,498,176)</u>	<u>(13,724,838)</u>

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 January 2023	58,759,786	3,155,003	(89,579,150)	(27,664,361)
Loss after income tax expense for the half-year	-	-	(8,226,554)	(8,226,554)
Other comprehensive income for the half-year, net of tax	-	(39,432)	-	(39,432)
Total comprehensive income for the half-year	-	(39,432)	(8,226,554)	(8,265,986)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	41,550,331	-	-	41,550,331
Share-based payments	-	132,447	-	132,447
Balance at 30 June 2023	<u>100,310,117</u>	<u>3,248,018</u>	<u>(97,805,704)</u>	<u>5,752,431</u>

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

Enlitic, Inc.
Consolidated statement of cash flows
For the half-year ended 30 June 2023

		Consolidated	
		Half year	Half year
		ended 30	ended 30
	Note	June 2023	June 2022
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		246,228	116,097
Payments to suppliers and employees (inclusive of GST)		<u>(7,259,544)</u>	<u>(9,032,429)</u>
		(7,013,316)	(8,916,332)
Interest paid		<u>(2,872)</u>	<u>(12,978)</u>
Net cash used in operating activities		<u>(7,016,188)</u>	<u>(8,929,310)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(352)	(96,295)
Payments for intangibles		<u>-</u>	<u>(15,041)</u>
Net cash used in investing activities		<u>(352)</u>	<u>(111,336)</u>
Cash flows from financing activities			
Proceeds from issue of shares	5	11,589,837	4,531
Proceeds from the issue of convertible notes (net of transaction costs)		-	7,797,312
Repayment of lease liabilities		<u>(204,777)</u>	<u>(384,181)</u>
Net cash from financing activities		<u>11,385,060</u>	<u>7,417,662</u>
Net increase/(decrease) in cash and cash equivalents		4,368,520	(1,622,984)
Cash and cash equivalents at the beginning of the financial half-year		2,215,777	11,883,179
Effects of exchange rate changes on cash and cash equivalents		<u>(39,432)</u>	<u>(49,971)</u>
Cash and cash equivalents at the end of the financial half-year		<u><u>6,544,865</u></u>	<u><u>10,210,224</u></u>

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

Note 1. Material accounting policy information

These general purpose financial statements for the interim half-year reporting period ended 30 June 2023 have been prepared in accordance with International Financial Reporting Standard IAS 134 'Interim Financial Reporting' as appropriate for for-profit oriented entities.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2022.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the International Standards Board ('IASB') that are mandatory for the current reporting period.

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

Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the Group incurred a net loss after tax of \$8,226,554 and had net cash outflows from operating activities of \$7,016,188 for the half-year ended 30 June 2023.

These factors indicate a material uncertainty which may cast significant doubt over the ability of the Group to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

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

- The Directors believe the Group will have the ability to raise funds from existing shareholders and new investors to support working capital and execute its strategic growth initiatives.

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.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the Group does not continue as a going concern.

Note 2. Expenses

	Consolidated Half year ended 30 June 2023 \$	Half year ended 30 June 2022 \$
Loss before income tax includes the following specific expenses:		
<i>Finance costs</i>		
Interest expense on lease liabilities	2,872	12,978
Interest accrued on convertible notes calculated under effective interest method	53,145	1,670,307
	<u>56,017</u>	<u>1,683,285</u>
<i>Employee benefit expenses</i>		
Wages and salaries	4,293,398	5,065,601
Employee benefits	478,344	746,162
Share-based payment expense	132,447	137,391
Payroll taxes	308,055	338,398
	<u>5,212,244</u>	<u>6,287,552</u>

Note 3. Borrowings

	Consolidated 30 June 2023 \$	31 December 2022 \$
<i>Current liabilities</i>		
Convertible notes payable (a) (b)	-	23,925,879

On 7 February 2023, series 2021A and series 2022 convertible promissory notes were converted into preference shares and 28,667,903 Series - C preference shares were issued as a result of the conversion.

Consequently, the financial liability relating to convertible notes and the related derivative liability have been converted to equity during the financial half-year.

Upon conversion, any warrants held by the convertible note holders have been deemed to terminate in their entirety and Group does not have any further liabilities or obligations with respect to such warrants.

Note 4. Derivative financial instruments

	Consolidated 30 June 2023 \$	31 December 2022 \$
<i>Current liabilities</i>		
Derivative liability - Convertible Promissory Note – Series 2021A (a)	-	2,156,080
Derivative liability - Convertible Promissory Note – Series 2022A (b)	-	3,825,390
	<u>-</u>	<u>5,981,470</u>

(a) Represents fair value of derivative liability as at reporting date, associated with the Series 2021A convertible notes issued during the financial year 2021.

Enlitic, Inc.
Notes to the consolidated financial statements
30 June 2023

Note 4. Derivative financial instruments (continued)

(b) Represents fair value of derivative liability as at reporting date, associated with the Series 2022A convertible notes issued during the financial year 2022.

Note 5. Issued capital

Class of shares	Consolidated		Consolidated	
	30 June 2023 Shares	31 December 2022 Shares	30 June 2023 \$	31 December 2022 \$
Ordinary shares ("common stock") - fully paid (108,000,000 (2022: 18,000,000) Authorised)	308,823	304,615	282,032	270,798
Preference shares ("preferred stock") - fully paid (82,359,575 Authorised)	60,586,141	9,769,822	100,028,085	58,488,988
	<u>60,894,964</u>	<u>10,074,437</u>	<u>100,310,117</u>	<u>58,759,786</u>

Movements in ordinary share capital

Common stock	Date	Shares	\$
Balance	1 January 2023	304,615	270,798
Issued upon exercise of options		4,208	11,234
Balance	30 June 2023	<u>308,823</u>	<u>282,032</u>

Preference shares

Preferred stock classes	31 December		31 December	
	30 June 2023 Shares	2022 Shares	30 June 2023 \$	2022 \$
Series A Preferred Stock (1,774,922 Authorised)	1,722,183	1,774,922	14,288,080	14,288,080
Series A Prime Preferred Stock (532,686 Authorised)	52,739	-	-	-
Series A-1 Preferred stock (982,930 Authorised)	982,930	982,930	7,914,278	7,914,278
Series B Preferred Stock (3,886,970 Authorised)	937,292	3,886,970	15,141,551	15,141,551
Series B Prime Preferred Stock (3,789,983 Authorised)	2,949,678	-	-	-
Series B-1 Preferred Stock (3,125,000 Authorised)	834,178	3,125,000	25,000,000	25,000,000
Series B-1 Prime Preferred Stock (2,750,000 Authorised)	2,290,822	-	-	-
Series C Preferred Stock (64,534,154 Authorised)	50,816,319	-	41,539,097	-
	<u>60,586,141</u>	<u>9,769,822</u>	<u>103,883,006</u>	<u>62,343,909</u>
Less: Share issue and related costs	-	-	(3,854,921)	(3,854,921)
	<u>60,586,141</u>	<u>9,769,822</u>	<u>100,028,085</u>	<u>58,488,988</u>

Enlitic, Inc.
Notes to the consolidated financial statements
30 June 2023

Note 5. Issued capital (continued)

Movements in preference share capital

Series C Preferred Stock	Date	Shares	\$
Balance	1 January 2023	-	-
Issued upon conversion of 2021A and 2022 series Convertible Notes		28,667,903	29,960,458
Issue of shares		<u>22,148,416</u>	<u>11,578,639</u>
Balance	30 June 2023	<u>50,816,319</u>	<u>41,539,097</u>

Note 6. Reserves

	Consolidated	31 December
	30 June 2023	2022
	\$	\$
Foreign currency reserve	175,124	214,556
Stock option reserve	<u>3,072,894</u>	<u>2,940,447</u>
	<u>3,248,018</u>	<u>3,155,003</u>

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration, and other parties as part of their compensation for services.

Note 7. Contingent liabilities

During the prior periods, the Group has filed amended payroll tax returns to rectify tax offsets relating to prior years. As at 31 December 2021, the Group may be liable for a payroll tax payment of approximately \$101,000 (excluding interest and penalties) relating to prior years, if the outcome of the assessment of the amended payroll tax returns are not in the Group's favor.

Note 8. Commitments

The Group had no commitments as at 30 June 2023 (31 December 2022: \$Nil).

Note 9. Events after the reporting period

No matter or circumstance has arisen since 30 June 2023 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.

Enlitic, Inc.
Notes to the consolidated financial statements
30 June 2023

Note 10. Share-based payments

Set out below are summaries of options granted under the plan:

	Number of options Half year ended 30 June 2023	Weighted average exercise price Half year ended 30 June 2023	Number of options Half year ended 30 June 2022	Weighted average exercise price Half year ended 30 June 2022
Outstanding at the beginning of the financial half-year	4,363,355	\$1.70	5,379,462	\$1.70
Granted	10,262,912	\$0.13	361,667	\$2.80
Exercised	(2,368,054)	\$1.78	(3,808)	\$2.30
Forfeited	<u>(16,111)</u>	<u>\$2.12</u>	<u>(1,373,966)</u>	<u>\$2.40</u>
Outstanding at the end of the financial half-year	<u><u>12,242,102</u></u>	<u>\$0.38</u>	<u><u>4,363,355</u></u>	<u>\$1.70</u>

The weighted average remaining contractual life of options outstanding at the end of the financial half-year was 9.4 years (2022: 7.1 years).

Note 11. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		30 June 2023	31 December 2022
		%	%
Enlitic Canada Inc.	Canada	100.00%	100.00%
Enlitic Australia Pty Ltd	Australia	100.00%	100.00%

Note 12. Parent entity information

Enlitic Inc. is the parent entity.

Enlitic, Inc.
Directors' declaration
30 June 2023

In the Directors' opinion:

- the attached financial statements and notes comply with the International Financial Reporting Standard IAS 134 'Interim Financial Reporting', 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 30 June 2023 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 Directors.

On behalf of the Directors



Lawrence Gozlan
Director

13 September 2023
Puglia, Italy



Michael Sistenich
Director

13 September 2023
Sydney, Australia

RSM Australia Pty Ltd

Level 21, 55 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007

T +61 (0) 3 9286 8000

F +61 (0) 3 9286 8199

www.rsm.com.au

INDEPENDENT AUDITOR'S REVIEW REPORT

To the Board of Directors of Enlitic, Inc.

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Enlitic, Inc. ("the Company") and its controlled entities (together referred to as "the Group") which comprises the consolidated statement of financial position as at 30 June 2023, 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.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the accompanying half-year financial report of the Group does not present fairly, in all material respects, the financial position of the Group as at 30 June 2023, and its financial performance and its cash flows for the half-year ended on that date, in accordance with IAS 34 *Interim Financial Reporting*.

Basis for Conclusion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the half-year financial report, which indicates that the Group incurred a net loss after tax of \$8,226,554 and had net cash outflows from operating activities of \$7,016,188 during the half-year ended 30 June 2023. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' Responsibility for the Half-Year Financial Report

The directors of Enlitic, Inc. are responsible for the preparation and fair presentation of the half-year financial report that gives a true and fair view in accordance with IAS 134 *Interim Financial Reporting* and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

THE POWER OF BEING UNDERSTOOD

AUDIT | TAX | CONSULTING

RSM Australia Pty Ltd is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Pty Ltd ACN 009 321 377 atf Birdanco Practice Trust ABN 65 319 382 479 trading as RSM

Liability limited by a scheme approved under Professional Standards Legislation

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the half-year financial report does not present fairly, in all material respects, the financial position of the Group as at 30 June 2023 and of its financial performance and its cash flows for the half-year ended on that date, in accordance with IAS 134 *Interim Financial Reporting*.

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.



RSM AUSTRALIA PTY LTD



M PARAMESWARAN

Director

Melbourne, Victoria

Dated: 13 September 2023