# Tikforce Limited

## FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2018

ABN: 74 106 240 475

# Contents

# Corporate Directory

**Directors**

| | |
|---|---|
| Duncan Royce Anderson | Non-Executive Chairman |
| Kevin Michael Baum | Managing Director |
| Stuart Usher | Non-Executive Director |

**Company Secretary**
Stuart Usher

**Registered Office and Principal Place of Business**
Tikforce Limited
ABN 74 106 240 475
ACN 106 240 475
Suite 7A – 435 Roberts Rd
Subiaco, Western Australia, 6008
Telephone: 1800 732 543
Facsimile: 08 9429 1011
Website: www.tikforce.com

**Solicitors**
Nova Legal
Level 2,
50 Kings Park Road
West Perth WA 6005
PO Box 495 West Perth WA 6872

**Share Registry**
Advanced Share Registry Ltd
150 Stirling Highway
Nedlands, WA 6009
Telephone: 08 9389 8033
Facsimile: 08 9389 7871

**Auditors**
Greenwich and Co Audit Pty Ltd
Level 2
35 Outram St
West Perth, WA 6005

**Stock exchange listing**

| | | | |
|---|---|---|---|
| Tikforce Limited shares are listed on the Australian Securities Exchange | ASX code | FPO | TKF |
| | | | |

**TIKFORCE LIMITED**

28 Sept 2018

# Directors' Report

Your directors submit the financial report of TikForce Limited (ASX: TKF) ("TikForce" or "the Company") and its controlled entities ("consolidated group", "group", or "consolidated entity") for the year ended 30 June 2018.

**Directors:**

The names of directors who held office during the year and up to the date of this report:

| | |
|---|---|
| Duncan Anderson | Non – Executive Chairman |
| Kevin Baum | Managing Director |
| Stuart Usher | Non-Executive Director (Appointed 20 August 2018) |
| Andrew Houtas | Non-Executive Director (Appointed 28 November 2017, Resigned 20-August 2018) |
| Roland Berzins | Non-Executive Director (Resigned 28 November 2017) |

**Principal Activity:**

Tikforce Ltd, through its wholly owned subsidiary Tikforce Operations Pty Ltd, has continued to develop the Tikforce Platform, which is a suite of software applications and IT systems to support the changing labour market. The platform enables potential workers to create a profile with validated credentials that they can share with or link to prospective employers. It also provides employers or organisations, seeking to engage workers, the ability to digitally review proof of identity, and confirm the qualifications, skills and employment documents of workers, thereby ensuing a review of relevant credentials and compliance for both employees and employers. It also enables communication between employees and employers, as well as job and task tracking, to further provide facts on work productivity and worker suitability.

**Operating Results:**

The Company recorded a loss after tax for the year ended 30 June 2018 of $3,628,135 (2017: $3,332,106).

**Review of Operations:**

During the year the company focused on implementing required platform features with new clients including Anglo Ashanti and Anglo Gold. The process has been slow as the larger clients go through an extensive diligence and validation process. Tikforce has invested extensive resources to enable it to

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provide a product offering that matches the customers requirements. In the case of Iluka, over 750 individuals across dozens of supplier companies have now been verified by the Tikforce Platform and this continues to grow. These are reported statistics for the month of August up to the date of this report.

Another existing client, Anglo Gold will start to deliver growing transaction volumes after concluding an extended period of testing and user driven customisation to meet Anglo's specific needs. These enhancements have improved the platform substantially to allow the system to service the demanding requirements for shut down and maintenance workforce onboarding.

Revenues from sales increased 138% to $421,689 for the year ended 30 June 2018 (2017: $177,493). Whilst this result is disappointing, the company has had its challenges in working with clients to roll the platform out. Considerable resources were deployed to work with prospective clients across a wide range of businesses to work with them to assist, identify and resolve primary problems that would need fixing before the Tikforce platform could be implemented and rolled-out. This has come at a cost to the company due to the extensive time involved in focusing on its clients systems to integrate the platform, resulting in delayed revenues and increased costs of customer engagement.

To part fund the operations during the year, convertible notes were issued in November 2017 for a total of $750,000. The convertible notes were fully repaid with interest of $150,000 by 30 June 2018, which had to be partly funded by additional convertible notes totalling $2,000,000 in March. A share placement was also completed in January raising $150,000 and a rights issue entitlement in February which raised $205,000.

The company received a S203D and 249F notice in March from a group of shareholders representing Alignment Capital Pty Ltd (Alignment), being the corporate adviser that the company had been previously engaged with. Their intention to remove two directors from the board and the appointment of their nominated directors.

Subsequently in April, Alignment proceeded with legal proceedings against the company in the Supreme Court of Western Australia, alleging a breach of the mandate agreement it had with the company dated 19 October 2017, (refer to ASX announcement 16 April 2018).

The company has disputed all claims and is in the process of defending the proceedings. The S203D and 249F notices were retracted on 1 June only to be replaced on 26 June with another S249D notice from Alignment, requesting the same removal of its two directors and replacement by two new directors

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nominated by them. On 3 July the company received a further notice under S203D and 249CA of the corporations act from its Managing Director Kevin Baum requesting the removal of Andrew Houtas and the appointment of Stuart Usher as a director.

The shareholder meeting was held on 20 August, with the Chairman calling for a poll. The Alignment resolutions being voted down by proxies representing over 51% of the total issued share capital. In addition, Andrew Houtas was removed with the appointment of Stuart Usher as a director.

Considerable reputational damage and disruption to operations have been experienced for over 6 months, as the company endeavours to secure and hold onto its existing client base. The result has been a delay in revenues and customer roll-out of the platform. The audit report is likely to contain an emphasis of matter to describe the market uncertainty related to the going concern, based on current losses and cashflows from operating activities.

**Financial position**

The net assets of the consolidated group have decreased by $ 3,435,459 from $1,881,490 on 30 June 2017 to a net asset deficiency of $1,553,969 as at 30 June 2018. This decrease was largely due to the impairment of the intangible assets and an increase in borrowings.

During the financial year ended 30 June 2018, the directors reviewed the intangible assets of the company in light of its financial performance and determined it appropriate to impair the carrying values of research and development costs and intellectual property to nil, resulting in an impairment expense of $1,078,300 for the year.

**TIKFORCE LIMITED**

**Significant changes in the state of Affairs**

No significant changes in the state of affairs of the group occurred during the 30 June 2018 financial year.

**Litigation:**
As at the date of this report, the Company has legal proceedings that are in commencement in the Supreme Court of Western Australia. The Plaintiff, Alignment Capital Pty Ltd is alleging a breach by Tikforce Ltd of a mandate agreement between the parties dated 19 October 2017 and varied on 17 November 2017.

The alleged breaches of the mandate agreement include breach of contract, proposed capital raising, issue of options, non-reduction in CEO salary, acceptance of new funding, failure of obtaining independent research note and failure to commit to roadshows. The claim for the alleged breaches include issue of options and fees under the mandate. Alignment is alleging an entitlement to damages, interest at the rate of 6% per annum from the date such damages were incurred and costs. The claim has not been quantified by Alignment as the litigation is too early to quantify the potential damages.

Tikforce disputes Alignment's claims in full and will be fully defending the proceedings.

The Directors are not aware of any other legal proceedings pending or threatened against the Company.

**Events after the Reporting Date:**

Subsequent to financial year end, the Company received the Research and Development tax incentive for the financial year ending 30 June 2018 of $455,103.

The Company has called a general meeting of shareholders to be held on 2 November 2018 to seek shareholder approval for the disposal of its main undertaking. On or about 16 August 2018, the Company's wholly owned subsidiary, Tikforce Operations Pty Ltd (ACN 168 318 616) (**TOPL**), entered into a binding Global Software Licence Agreement with Gambier under which TOPL will grant to Gambier an exclusive, non-revocable, royalty free, world-wide licence to use the "TikForce" cloud-based workforce compliance platform (**Licence**).

The initial consideration payable to TOPL for the grant of the Licence will be $10 for the period following commencement of the Licence until 30 September 2018. Should TOPL elect to terminate the Licence at the end of the Term, Gambier has the right to elect to extend the Licence in perpetuity by paying to TOPL:

A sum of $100,000 within 14 days following TOPL giving notice of its intention to terminate to Gambier; and

A sum of $250,000 within 3 months following TOPL giving notice of its intention to terminate to Gambier,

(together, the **Extension Fee**).

**TIKFORCE LIMITED**

The Licence Agreement does not in any way restrict TOPL from using the intellectual property the subject of the Licence.

The Licence Agreement can be terminated by TOPL if an insolvency event occurs in respect of Gambier and can otherwise be terminated by either party if default is made by the other party in performance or observance of any provision of the Licence Agreement, and such default is not remedied within 30 days after notice specifying such default is given to the party.

As set out in the Company's announcement of 16 August 2018, Gambier has the exclusive right to negotiate a sale of TOPL's business and thereafter will have a first right of refusal with respect to a sale of TOPL's business. Gambier has exercised its right to negotiate an acquisition of the business operating as "Tikforce" (**Tikforce Business**).

Gambier's current offer is to pay a cash consideration of $350,000, less any amounts paid by Gambier as an Extension Fee (**Proposed Sale**). The Board has determined that it will not proceed with further discussions in relation to the Proposed Sale on the above terms until such time as Resolution 1 has been considered by Shareholders. If Shareholders approve the Proposed Sale, the Company will engage in negotiations with Gambier with respect to the Proposed Sale, provided that the total consideration payable by Gambier shall not be less than $350,000 inclusive of any Extension Fee.

ASX has indicated to the Company that it considers the grant of the Licence to be a disposal of the Company's main undertaking, which requires Shareholder approval under ASX Listing Rule 11.2. Further, ASX has indicated that the Company will be required to acquire new assets and comply with ASX Listing Rules 11.1.2 and 11.1.3 prior to its securities being reinstated to trading on the ASX.

In the same notice of meeting Shareholder approval is sought for the issue of up to 706,335,386 Shares and 706,335,386 Options upon conversion of convertible notes, the terms of which are set out in the Company's announcement dated 16 March 2018. (Convertible Notes)

**Use of Cash and Assets**

The Company confirms that it has used its cash and assets that it had at the time of its admission to the ASX official quotation platform in a way consistent with its business objectives.

**Dividends:**

The Directors do not recommend payment of any dividends at this time and no dividend was paid during the period.

**Likely developments and expected results from operations**

The Group intends to continue its development and commercialisation of its development of the TikForce platform that provides businesses a more efficient and complete solution for workforce identity, compliance checks, credentials and qualification screening.

**Information on directors and secretary:**

| | |
|---|---|
| **MR Duncan Anderson** | **NON - EXECUTIVE CHAIRMAN** |
| **Qualifications:** | B. Bus (Curtin) |
| **Experience** | Mr Anderson co-founded a risk and compliance technology business that operated in the USA and Brazil where he held CEO and non-executive director roles.<br><br>From start-up, the business grew at a compound annual growth rate of 40% before being acquired by a major global technology firm in 2016.<br><br>Mr Anderson has two decades of experience in senior leadership roles within the supply chain and technology fields, with more recent focus on strategic planning, global market development and merger & acquisition. |
| **Interests in shares and Options** | Nil ordinary shares and nil options to acquire a further ordinary shares |
| **Other current directorships** | Nil |
| **Other former directorships in the last three years.** | Nil |

| | |
|---|---|
| **Kevin Michael Baum** | **MANAGING DIRECTOR** |
| **Qualifications** | BA D(i) - Industrial Design (Curtin) |
| **Experience** | Mr Baum has extensive experience in the IT industry and has the capacity to respond to the development and marketing requirements of the Company by the appointment of competent staff to meet these requirements. |
| **Other current directorships** | **Nil** |
| **Other former directorships in the last three years.** | **Nil** |
| **Interests in shares and Options** | 11,840,668 fully paid ordinary shares in the entity.<br>3,080,000 Class A Performance Shares<br>4,620,000 Class B Performance Shares<br>6,160,000 Class C Performance Shares |
| **MR STUART USHER** | **NON – EXECUTIVE DIRECTOR AND COMPANY SECRETARY (APPOINTED 20 AUGUST 2018)** |
| **Qualifications:** | B.Bus, MBA, CPA, AGIA, ACIS |
| **Experience** | Mr Usher is a CPA and Chartered Company Secretary with 20 year's extensive experience in the management and corporate affairs of public listed companies. He holds a Bachelor of Business degree and an MBA from the University of Western Australia and has extensive experience across many industries focusing on Corporate & Financial Management, Strategy & Planning, Mergers & Acquisitions, and Investor Relations & Corporate Governance. |
| **Interests in shares and Options** | 1 ordinary shares and nil options |
| **Other current directorships** | Nil |
| **ANDREW HOUTAS** | **NON-EXECUTIVE DIRECTOR (APPOINTED ON 28 NOVEMBER 2018 AND RESIGNED 20 AUGUST 2018)** |
| **Qualifications** | CPA |
| **Experience** | Mr Houtas is a Chartered Accountant and is in |

public practice. He has experience across a range of industries and has expertise in accounting, compliance, operations, risk management and project management.

**Other current directorships** Nil

**Other former directorships in the last three years.** nil

**Interests in shares and Options** nil ordinary shares and nil options

**Roland Berzins Resigned (28 November 2017)** **NON-EXECUTIVE DIRECTOR, COMPANY SECRETARY AND PUBLIC OFFICER (APPOINTED 10 MARCH 2015)**

**Qualifications** B Comm. ACPA FFIN TA.

**Experience** Mr. Berzins graduated from the University of Western Australia with a Bachelor of Commerce majoring in accounting and finance.

Since 1996 Mr. Berzins has been Company secretary for a variety of ASX listed companies, and has also had experience in retail, merchant banking, venture capital and SME business advisory. Mr Berzins also has experience in the financial management of technology based company's and their corporate management. In addition, Mr Berzins has extensive experience with respect to financial management within the mining industry and large organizations.

**Other current directorships** Odin Energy Ltd

**Other former directorships in the last three years.** Mt Ridley Mines Limited (16/02/2005 to 08/09/2014)
Activistic Ltd (resigned 31 July 2015)
Excalibur Mining Corporation ltd (resigned 20/12/2016)

**Interests in shares and Options** 1,082,077 ordinary shares and 344,208 options to acquire any further ordinary shares

**Meetings of Directors:**

During the financial year, 10 meetings of directors (including circular resolutions) were held. Attendances were:

| **Director** | **Number of meetings attended** | **Number of meetings eligible to attend** |
|---|---|---|
| D Anderson | 4 | 4 |
| K Baum | - | - |
| R Berzins | 10 | 10 |
| P Woods | 5 | 6 |
| I Murie | 10 | 10 |

**Options**

At the date of this report, the unissued ordinary shares of Tikforce Limited under options are as follows:

| Grant Date | Date of Expiry | Exercise Price | Number under Option |
|---|---|---|---|
| 31 October 2017 | 31 October 2020 | $0.03 | 12,443,090 |

Option holders do not have any rights to participate in any issue of shares and other interests of the Company or any other entity.

There have been no options granted over unissued shares or interests of any controlled entity within the Group during or since the end of the reporting period.

For details of options issued to directors and executives as remunerations, refer to the remunerations report.

**Remuneration Report (Audited)**
The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

***Principles used to determine the nature and amount of remuneration***
The Company's policy for determining the nature and amount of emoluments of Board members and senior executives of the company is as follows:

- Key Management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Consolidated Entity. Key management personnel comprise the directors of the Company and executives of the Company and the Consolidated Entity;
- Compensation levels for key management personnel of the Company and the relevant key management personnel of the Consolidated entity are competitively set to attract and retain appropriately qualified and experienced directors and executives; and
- The compensation structure explained below is designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and to attract the broader creation of values for shareholders.

The board has no established retirement or redundancy schemes.

***Remuneration Committee***
Due to the current size of the Board and the number of staff, the full Board is responsible for determining and reviewing compensation arrangements for directors, the chief executive officer and all staff. The Board may seek independent expert advice to assess the nature and amount of remuneration of all staff including directors and the chief executive officer by reference to relevant employment market conditions with the overall objective being the retention and attraction of a high quality board and executives.

***Remuneration structure***
In accordance with best practice corporate governance, the structure of non-executive director and senior executive remuneration is separate and distinct.

***Non-executive director remuneration***

*Objective*

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

*Structure*

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 4 November 2004 when shareholders approved an aggregate remuneration of $300,000 per year. The board considers advice from external consultants when undertaking the annual review process.

Due to tight financial constraints, every effort has been made to reduce all fees, including non-executive director compensation.

***Executive director remuneration***

*Objective*

The Company aims to reward and attract executives with a level and mix of remuneration commensurate with their position and responsibilities within the group.

*Structure*
In determining the level and make up of executive remuneration, the Board may engage external consultants from time to time to provide independent advice. Remuneration generally consists of the following elements:

- Fixed remuneration;
- Variable remuneration; and
- Long Term Incentive.

***Fixed Remuneration***

*Objective*

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. It is reviewed annually and it involves where appropriate the access to external advice.

***Variable Remuneration and long term incentive***

From time to time the Board may seek to emphasise payments for results through providing various reward schemes. The objective of the reward schemes is to both reinforce the short and long term goals of the Company and to provide a common interest between management and shareholders.

At this stage the Company doesn't offer any alternatives for the fixed component.

***Service Agreements***

The Company has an employment contract with Mr Kevin Baum, a founder of Tikforce Operations Pty Ltd and currently Managing Director of the group. Mr Baum's remuneration may at no time exceed A$300,000 (or such amount as may be the then "Reviewed Remuneration amount") on an annual basis. Mr Kevin Baum is subject to annual performance reviews, and may also be eligible to receive bonus options in the Company which may be granted, and allotted by the Board, based on completion and measurement against KPI's and market conditions and subject to approval of Shareholders. Termination notice required by Mr Kevin Baum is four weeks. Should the Company terminate Mr Kevin Baum, payment of 6 months of base salary is required, subject to approvals, if any, required by the Corporations Act.

Non-executive directors do not have agreements with the group and do not have notice periods.

**Remuneration of directors and executives:**

**For the year ended 30 June 2018**

| **Directors** | **Directors fees** | **Salary and consulting fees** | **Super-annuation** | **Sub total** | **Share based payments** | **Total** | **Share based payments as a proportion %** |
|---|---|---|---|---|---|---|---|
| | **$** | **$** | **$** | **$** | **$** | **$** | |
| **Non - Executives** | | | | | | | |
| D Anderson | 49,650 | - | - | 49,650 | - | 49,650 | Nil |
| A Houtas (Appointed 28-Nov-17) | 22,500 | - | - | 22,500 | - | 22,500 | Nil |
| R. Berzins (Resigned 28-Nov-17) | 16,500 | - | - | 16,500 | - | 16,500 | Nil |
| **Total** | 88,650 | - | - | 88,650 | | 88,650 | Nil |

| **Executives** | **Directors fees** | **Salary and fees** | **Super-annuation** | **Sub total** | **Share based payments** | **Total** | **Share based payments as a proportion %** |
|---|---|---|---|---|---|---|---|
| | **$** | **$** | **$** | **$** | **$** | **$** | |
| K Baum Managing Director | - | 256,333 | 21,216 | 277,549 | - | 277,549 | Nil |
| | - | 256,333 | 21,216 | 277,549 | - | 277,549 | Nil |

| | **Directors fees** | **Salary and fees** | **Super-annuation** | **Sub total** | **Share based payments** | **Total** | **Share based payments as a proportion %** |
|---|---|---|---|---|---|---|---|
| | **$** | **$** | **$** | **$** | **$** | **$** | |
| Total KMP | 88,650 | 256,333 | 21,216 | 366,199 | - | 366,199 | Nil |

**For the year ended 30 June 2017**

| Directors | Directors fees<br>$ | Salary and consulting fees<br>$ | Super-annuation<br>$ | Sub total<br>$ | Share based payments<br>$ | Total<br>$ | Share based payments as a proportion % |
|---|---|---|---|---|---|---|---|
| **Non - Executives** | | | | | | | |
| D Anderson – Appointed 18 April 2017 | 7,500 | - | - | 7,500 | - | 7,500 | Nil |
| R. Berzins | 36,000 | 50,000 | - | 86,000 | - | 86,000 | Nil |
| P. Woods - Retired 18 April 2017 | 40,500 | - | - | 40,500 | - | 40,500 | Nil |
| I. Murie - Retired 30 June 2017 | 38,500 | - | - | 38,500 | - | 38,500 | Nil |
| **Total** | 122,500 | 50,000 | - | 172,500 | - | 172,500 | Nil |

| Executives | Directors fees<br>$ | Salary and fees<br>$ | Super-annuation<br>$ | Sub total<br>$ | Share based payments<br>$ | Total<br>$ | Share based payments as a proportion % |
|---|---|---|---|---|---|---|---|
| K Baum Managing Director | - | 312,500 | 29,687 | 342,187 | - | 342,187 | Nil |
| | - | 312,500 | 29,687 | 342,187 | - | 342,187 | Nil |

| | Directors fees<br>$ | Salary and fees<br>$ | Super-annuation<br>$ | Sub total<br>$ | Share based payments<br>$ | Total<br>$ | Share based payments as a proportion % |
|---|---|---|---|---|---|---|---|
| Total KMP | 122,500 | 362,500 | 29,687 | 514,687 | - | 514,687 | Nil |

## (i) Ordinary Shareholdings

The number of ordinary shares held in Tikforce Ltd by each Key Management Persons (KMP) (including directors and managing Director) during the financial year is as follows:

| Name and Position held - 2018 | Balance 01/07/2017 or at date of appointment | Granted as Remuneration's during the year | Issued on exercise of Options during the year | Other changes during the year | Balance 30/06/18 or date of resignation |
|---|---|---|---|---|---|
| Duncan Anderson | - | - | - | - | - |
| Kevin Baum – Managing Director | **11,628,168** | - | - | **212,500** | **11,840,668** |
| Roland Berzins – Non Executive Director | **1,082,077** | - | - | **(1,082,077)[1]** | - |
| Andrew Houtas – Non Executive Director | - | - | - | - | - |
| **Total** | **12,710,245** | | - | **(869,577)** | **11,840,668** |

(1) Holding on date of resignation

### (ii) Options

All options were issued by Tikforce Limited and entitle the holder to one ordinary share in Tikforce Limited for each option exercised.

There have not been any alterations to the terms or conditions of any grants since grant date.

| 2018 | Balance 01/07/2017 or at date of appointment | Acquired | Exercised | Lapsed | Other changes during the year | Balance 30/06/18 or date of resignation |
|---|---|---|---|---|---|---|
| Duncan Anderson – Non Executive Chairman | - | - | - | - | - | - |
| Kevin Baum – Managing Director | - | - | - | - | - | - |
| Roland Berzins – Non Executive Director [1] | 344,208 | - | - | - | (344,208) [1] | - |
| Andrew Houtas – Non Executive Director (Appointed 28-Nov-17) | - | - | - | - | - | - |
| **Total** | **344,208** | **-** | **-** | **-** | **(344,208)** | **-** |

[1] Mr Berzins partook in the Company rights issue & holding on date of resignation

### (iii) Performance shares

| 2018 | Balance 01/07/2017 or at date of appointment | Granted Details | Exercised | Lapsed | Balance at 30/06/18 or date of resignation |
|---|---|---|---|---|---|
| Duncan Anderson – Non Executive Chairman | - | - | - | - | - |
| Kevin Baum – Managing Director [1] | 13,860,000 | - | - | - | 13,860,000 |
| Roland Berzins – Non Executive Director | - | - | - | - | - |
| Andrew Houtas – Non Executive Director (Appointed 28-Nov-17) | - | - | - | - | - |
| **Total** | **13,860,000** | **-** | **-** | **-** | **13,860,000** |

[1]Mr Baum holds an indirect interest in the following number of performance shares:

| Description | Number of Performance shares held |
|---|---|
| Performance Shares – Class A | 3,080,000 |
| Performance Shares – Class B | 4,620,000 |
| Performance Shares – Class C | 6,160,000 |

- A Performance Share Milestone will be taken to have been satisfied upon the TikForce Platform achieving 10,000 paid users
- B Performance Share Milestone will be taken to have been satisfied upon the TikForce Platform achieving 20,000 paid users
- C Performance Share Milestone will be taken to have been satisfied upon the TikForce Platform achieving 30,000 paid users.

**Loans to key management personnel**

There were no loans to key management personnel during the year.

**Remuneration Consultants**

The Company did not engage any remuneration consultants during the year ended 30 June 2018.

**Voting and comments made at the Company's 2017 Annual General Meeting ("AGM")**

At the 2017 AGM, 13% of the proxies voted against the adoption of the remuneration report for the year ended 30 June 2017. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

******End of Audited Remuneration Report******

**Indemnities and insurance officers**

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

**Indemnity and insurance of auditor**

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

**Proceedings on behalf of the Company**

As at the date of this report, the Company has legal proceedings that are in commencement in the Supreme Court of Western Australia. The Plaintiff, Alignment Capital Pty Ltd is alleging a breach by Tikforce Ltd of a mandate agreement between the parties dated 19 October 2017 and varied on 17 November 2017.

The alleged breaches of the mandate agreement include breach of contract, proposed capital raising, issue of options, non-reduction in CEO salary, acceptance of new funding, failure of obtaining independent research note and failure to commit to roadshows. The claim for the alleged breaches include issue of options and fees under the mandate. Alignment is alleging an entitlement to damages, interest at the rate of 6% per annum from the date such damages were incurred and costs. The claim has not been quantified by Alignment.

Tikforce disputes Alignment's claims in full and will be fully defending the proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

**Non-Audit Services**

The following details non-audit services provided by Greenwich & Co Audit Pty Ltd and associated entities. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of professional pronouncements and standards for the following reasons:

- All non-audit services have been reviewed by the Board to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general standard of independence for auditors.

Greenwich & Co Audit Pty Ltd and associated entities received or are due to receive the following amounts for the provision of non-audit services:

| | **2018** | **2017** |
|---|---|---|
| | **$** | **$** |
| Taxation services | 2,000 | 2,000 |
| Investigating accountants reports | - | - |
| Total non-audit services | 2,000 | 2,000 |

**Auditor's Declaration:**

The auditor's independence declaration under s 307C of the *Corporations Act 2001* is set out on page 65 for the year ended 30 June 2018.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

Kevin Baum

Managing Director

Date:28 September 2018

# TIKFORCE LIMITED

## CORPORATE GOVERNANCE

**For the year ended 30 June 2018**

The Board of Directors of Tikforce Limited ("Tikforce" or "the Company") is committed to conducting the Company's business in accordance with the highest standards of corporate governance. The Board is responsible for the Company's Corporate Governance and the governance framework, policy and procedures, and charters that underpin this commitment. The Board ensures that the Company complies with the corporate governance requirements stipulated in the Corporations Act 2001 (Cth), the ASX Listing Rules, the constitution of the Company and any other applicable laws and regulations.

The table below summarises the Company's compliance with the ASX Corporate Governance Councils Corporate Governance Principles and Recommendations (3rd Edition), in accordance with ASX Listing Rule 4.10.3.

# TIKFORCE LIMITED

## CORPORATE GOVERNANCE

**For the year ended 30 June 2018**

| Principles and Recommendations | | Disclosure | Comply |
|---|---|---|---|
| **Principle 1 – Lay solid foundations for management and oversight** | | | |
| 1.1 | A listed entity should disclose:<br>(a) the respective roles and responsibilities of its board and management; and<br>(b) those matters expressly reserved to the board and those delegated to management | These matters are disclosed in the Company's Board Charter, which is available on the Company's website which is in transition / reconstruction | Does not comply |
| 1.2 | A listed entity should:<br>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and<br>(c) provide security holders with all material information in its possession relevant to a decision on whether to not to elect or re- elect a director | When a requirement arises for the selection, nomination and appointment of a new director, the Board forms a sub-committee that is tasked with this process, and includes undertaking appropriate checks and any potential candidates.<br><br>When directors retire and nominate for re-election, the Board does not endorse a director who has not satisfactorily performed their role. | Complies<br><br>Complies |
| 1.3 | A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment. | The Company executes a letter of appointment with each director and services agreements with senior executives. | Complies |
| 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 reports to the chair of the board on all matters to do with the proper function of the board. | Complies |

## TIKFORCE LIMITED

## CORPORATE GOVERNANCE

**For the year ended 30 June 2018**

| | | | |
|---|---|---|---|
| 1.5 | A listed entity should:<br>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;<br>(b) disclose that policy or a summary of it; and<br>(c) disclose as at the end of each reporting period the measurable objective for achieving gender diversity set by the boards or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:<br>1. the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or<br>2. 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 the Act. | Due to its size and limited scope of operations, the Company does not currently have a diversity policy.<br><br>As the group's activities increase in size, scope and/or nature, the board will consider the appropriateness of adopting a diversity policy. | Does not comply |

## TIKFORCE LIMITED

## CORPORATE GOVERNANCE

**For the year ended 30 June 2018**

| Principles and Recommendations | | Compliance | Comply |
|---|---|---|---|
| 1.6 | A listed entity should:<br>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and<br>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. | Currently, the Board does not formally evaluate the performance of the Board and individual directors (except as noted below), however the Board Chairman provides informal feedback to individual Board members on their performance and contribution to Board meetings, on an ongoing basis. | Does not comply |
| 1.7 | A listed entity should:<br>(a) have and disclose a process for periodically evaluating the performance of senior executives; and<br>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. | The current Managing Director, Mr Kevin Baum was appointed on 30 June 2017 and there is provision for the evaluation of his performance on the anniversary date of his appointment. | Complies |

# TIKFORCE LIMITED

## CORPORATE GOVERNANCE

**For the year ended 30 June 2018**

| **Principle 2 – Structure the board to add value** | | | |
|---|---|---|---|
| 2.1 | A listed entity should:<br>(a) have a nomination committee which;<br>(1) has at least three members, a majority of whom are independent directors; and<br>(2) is chaired by an independent director; and disclose:<br>(3) the charter of the committee;<br>(4) the members of the committee; and<br>(5) 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<br>(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 skills, knowledge, experience, independence and diversity to enable it to discharge it duties and responsibilities effectively. | Due to its size and limited scope of operations, the Company does not currently have a nomination committee, however board sub-committees are formed, as required, to manage matters that would normally be dealt with by a formally constituted nomination committee.<br><br>As the group's activities increase in size, scope and/or nature, the board will consider the appropriateness of a nomination committee. | Does not comply |
| 2.2 | A listed entity should have and disclose a board skill matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership. | A copy of the board skill matrix is appended to this Corporate Governance Statement. | Complies |

# TIKFORCE LIMITED

## CORPORATE GOVERNANCE

**For the year ended 30 June 2018**

| | | | |
|---|---|---|---|
| 2.3 | A listed entity should disclose:<br>(a) the names of the directors considered by the board to be independent directors; and<br>(b) if a director has an interest, position, association or relationship of the type described in Box .2.3 but the board is of the opinion that it does no 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<br>(c) the length of service of each director. | Mr Duncan Anderson is considered by the board to be an independent director and this is disclosed on the Company web site and in its annual and half- yearly director reports.<br><br>The length of service of each director is disclosed in the Company's annual and half yearly director reports and in notices of meetings when directors are nominated for re-election. | Complies |

| Principles and Recommendations | | Compliance | Comply |
|---|---|---|---|
| 2.4 | A majority of the board of a listed entity should be independent directors. | Mr Duncan Anderson is an independent member of the Company's board. | Complies |
| 2.5 | The chair of the board of a listed entity should be an independent director and, in particular; should not be the same person as the CEO of the entity. | Mr Duncan Anderson is the Chairman and is an independent non-executive director. | Complies. |

| Principle 3 – A listed entity should act ethically and responsibly | | | |
|---|---|---|---|
| 3.1 | A listed entity should:<br>(a) have a code of conduct of its directors, senior executives and employees; and<br>(b) disclose that code or a summary of it. | The Company code of conduct is available on the Company web site which is in transition / reconstruction. | Complies |

# TIKFORCE LIMITED

## CORPORATE GOVERNANCE

**For the year ended 30 June 2018**

| **Principle 4 – Safeguard integrity in corporate reporting** | | | |
|---|---|---|---|
| 4.1 | The board of a listed entity should:<br>(a) have an audit committee which:<br>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and<br>(2) is chaired by an independent director; who is not the chair of the board,<br>and disclose<br>(3) the relevant qualifications and experience of the members of the committee; and<br>(4) 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 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 rotations of the engagement partner. | Due to its size and limited scope of operations, the Company does not currently have an audit committee, however the auditors do meet with the full board, without management present to its audit report and any other matters that have arisen during its audit work.<br><br>As the Company's activities increase in size, scope and/or nature, the board will consider the appropriateness of an audit committee. | Does not comply, however the auditors do meet with the full board. |

# TIKFORCE LIMITED

## CORPORATE GOVERNANCE

**For the year ended 30 June 2018**

| | | | |
|---|---|---|---|
| 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 Board does receive a statement signed by those performing the roles of the Managing Director and the Chief Financial Officer. | Complies |
| 4.3 | A listed entity that has an Annual General Meeting (AGM) should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit, | The Company's auditors are present at the Annual General Meeting. | Complies |

| Principles and Recommendations | | Compliance | Comply |
|---|---|---|---|
| **Principle 5 – Make timely and balanced disclosure** | | | |
| 5.1 | A listed entity should:<br>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and<br>(b) disclose that policy or a summary of it. | The Company does have a Continuous Disclosure policy, which is available on the Company web site which is currently in transition / reconstruction. | Complies |

# TIKFORCE LIMITED

## CORPORATE GOVERNANCE

**For the year ended 30 June 2018**

| Principles and Recommendations | | Compliance | Comply |
|---|---|---|---|
| **Principle 6 – Respect the rights of security holders** | | | |
| 6.1 | A listed entity should provide information about itself and its governance to investor via its website. | The Company does have a company information and governance statement, which is available on the Company web site which is currently in transition / reconstruction | Complies |
| 6.2 | A Listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors. | The Company has implemented an investor relations program targeting retail investors and encourages all investors or potential investors to communicate with the Company via its web site which is currently in transition / reconstruction | Complies |
| 6.3 | A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders. | The Company Shareholder Communication Policy is available on the Company web site which is currently in transition / reconstruction | Complies |
| 6.4 | A listed entity should give security holder the option to receive communications from, and send communication to the entity and is security registry electronically. | Security holder can elect to receive communications from the Company electronically either by contacting the Company's share registrar, or the Company directly. | Complies |

# TIKFORCE LIMITED

## CORPORATE GOVERNANCE

**For the year ended 30 June 2018**

| **Principal 7 – Recognise and manage risk** | | | |
|---|---|---|---|
| 7.1 | The board of a listed entity should:<br>(a) have a committee or committees to oversee risk, each of which::<br>(1) has at least three members, a majority of whom are independent directors; and<br>(2) is chaired by an independent director and disclose<br>(3) the charter of the committee;<br>(4) the members of the committee; and<br>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendance of the members at those meetings; or<br>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework. | Due to its size and limited scope of operations, the Company does not currently have a risk committee; however management does present and discuss risk with the full board.<br><br>As the Company's activities increase in size, scope and/or nature, the board will consider the appropriateness of a risk committee. | Does not Comply |
| 7.2 | The board or a committee of the board should:<br>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and<br>(b) disclose, in relation to each reporting period, whether such a review has taken place. | The board reviews the Company's risk management framework at least annually and disclose this in annual periodic report. | Complies |

**TIKFORCE LIMITED**

**CORPORATE GOVERNANCE**

**For the year ended 30 June 2018**

| Principles and Recommendations | | Principles and Recommendations | Principles and |
|---|---|---|---|
| 7.3 | A listed entity should disclose:<br>(a) if it has an internal audit function, how the function is structured and what role it performs; or<br>(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. | The Company does not have an internal audit function. | Does not comply |
| 7.4 | A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks. | The Company does make these disclosures. | Complies |

# TIKFORCE LIMITED

## CORPORATE GOVERNANCE

**For the year ended 30 June 2018**

| **Principle 8 – Remunerate fairly and responsibly** | | | |
|---|---|---|---|
| 8.1 | The board of a listed entity should:<br>(a) have a remuneration committee which:<br>(1) has at least three members, a majority of whom are independent directors; and<br>(2) is chaired by an independent director and disclose<br>(3) the charter of the committee;<br>(4) the members of the committee; and<br>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendance of the members at those meetings; or<br>(b) if it does not have a remuneration 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 such remuneration is appropriate and not excessive. | Due to its size and limited scope of operations, the Company does not currently have a remuneration committee.<br><br>As the Company's activities increase in size, scope and/or nature, the board will consider the appropriateness of a remuneration committee. | Does not Comply |
| 8.2 | A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive director and other senior executive. | The Company discloses its practices in relation to the remuneration of non-executive directors and senior executives in its annual remuneration report. | Complies |

# TIKFORCE LIMITED

## CORPORATE GOVERNANCE

**For the year ended 30 June 2018**

| | | | |
|---|---|---|---|
| 8.3 | A listed entity which has an equity-based remuneration scheme should:<br>(a) have a policy on whether participants are permitted to enter into transaction (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and<br>(b) disclose that policy or a summary of it. | The Company's Security Trading Policy obliges all directors, officers and employees of the Company to advise the Company, via the Company Secretary, or any securitisation of Company securities. A copy of the policy is available on the Company's web site.<br>As at the date of this statement the Company Secretary has not been advised by an officer or employee of the Company of any securitisation of Company securities that they own. | Complies |

As the Company's activities increase in size, scope and/or nature, the Company's corporate governance principles will be reviewed by the Board and amended as appropriate.

**Diversity**

The Company and all its related bodies corporate are committed to workplace diversity. The Company recognises the benefits arising from employee and Board diversity, including a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas and benefitting from all available talent.

Diversity includes, but is not limited to gender, age, ethnicity and cultural background.

The Diversity Policy is available on the Company's website which is in transition / reconstruction..

As stated earlier, the Company is at a stage of its development that the application of measurable objectives in relation to gender diversity, at the various levels of the Company's business, is not considered to be appropriate nor practical.

The participation of women in the Company and consolidated entity at 30 June 2018 was as follows:

- *Women employees in the consolidated entity* *27%*
- *Women in senior management positions* *0%*
- *Women on the board* *0%*

Further details of the Company's corporate governance policies and practices are available on the Company's website at www.tikforce.com.au

Greenwich & Co

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# Auditor's Independence Declaration

To those charged with governance of Tikforce Limited

As auditor for the audit of Tikforce Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and

- no contraventions of any applicable code of professional conduct in relation to the audit.

**Greenwich & Co Audit Pty Ltd**

**Rafay Nabeel**
Audit Director

Perth

28 September 2018

**TIKFORCE LIMITED**

# Statement of Profit or Loss and Other Comprehensive Income
# For The Year Ended 30 June 2018

| | Note | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|---|
| **Revenues** | | | |
| Sales revenue | | 421,689 | 177,493 |
| Research & Development tax incentives | | 455,103 | 860,707 |
| Net gain arising on financial liabilities | | 955,494 | - |
| Interest income | | 1,218 | 70 |
| Total income | 4(a) | 1,833,504 | 1,038,270 |
| | | | |
| **Expenses** | | | |
| Employee benefits expense | 4(b) | 1,803,729 | 1,819,915 |
| Consulting expenses | | 500,788 | 280,969 |
| Compliance and regulatory | 4(b) | 100,288 | 252,147 |
| Impairment expense | 4(b) | 1,078,300 | 452,647 |
| Amortisation expense | 8 | 53,960 | 396,729 |
| Development costs written off | 8 | - | 173,492 |
| Directors fees | | 88,650 | 101,484 |
| Travel and accommodation expenses | | 55,611 | 48,924 |
| Occupancy expenses | | 174,669 | 136,992 |
| Legal fees | | 144,740 | - |
| Financial costs | | 857,693 | 6,340 |
| Bad debt expense | | 183,863 | - |
| Computer maintenance and licence fees | | 162,595 | 245,473 |
| Other expenses | | 256,753 | 455,264 |
| **Total expenses** | | **(5,461,639)** | **(4,370,376)** |
| | | | |
| **Loss before income tax** | | **(3,628,135)** | **(3,332,106)** |
| Income tax | 15 | - | - |
| **Other comprehensive income** | | - | - |
| **Total comprehensive loss attributable to members of Tikforce Limited** | | **(3,628,135)** | **(3,332,106)** |
| | | | |
| **Loss per share** | | **Cents per Share** | **Cents per Share** |
| Basic Loss per share | 5 | (2.02) | (2.50) |

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

**TIKFORCE LIMITED**

# Statement of Financial Position
# As at 30 June 2018

| | Note | 30 June 2018<br>$ | 30 June 2017<br>$ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 6 | 212,564 | 381,598 |
| Trade and other receivables | 7a | 525,821 | 604,316 |
| Other assets | | 44,945 | 44,224 |
| **Total Current Assets** | | 783,330 | 1,030,138 |
| | | | |
| **Non-Current Assets** | | | |
| Other receivables | 7b | - | 189,289 |
| Property, plant & equipment | | - | 14,802 |
| Intangible assets | 8 | - | 1,195,896 |
| **Total Non-Current Assets** | | - | 1,399,987 |
| | | | |
| **Total Assets** | | 783,330 | 2,430,125 |
| | | | |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 9 | 756,996 | 339,832 |
| Borrowings | 10 | 1,544,349 | 106,096 |
| Provisions | 11 | 35,729 | 97,332 |
| Other liabilities | | 225 | 5,375 |
| **Total Current Liabilities** | | 2,337,299 | 548,635 |
| | | | |
| **Total Liabilities** | | 2,337,299 | 548,635 |
| | | | |
| **Net (Liabilities)/Assets** | | **(1,553,969)** | **1,881,490** |
| | | | |
| **Equity** | | | |
| Issued capital | 12 | 8,359,159 | 8,169,430 |
| Reserves | 13 | 1,450,445 | 1,450,445 |
| Accumulated losses | 14 | (11,363,573) | (7,738,385) |
| | | | |
| **Total Equity** | | **(1,553,969)** | **1,881,490** |

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

**TIKFORCE LIMITED**

# Statement of Changes in Equity
# For The Year Ended 30 June 2018

| | Issued Capital $ | Accumulated Losses $ | Share Based Payments Reserve $ | Total Equity $ |
|---|---|---|---|---|
| **At 1 July 2017** | **8,169,430** | **(7,735,437)** | **1,450,445** | **1,884,438** |
| Total comprehensive loss for the period | | (3,628,135) | - | (3,628,135) |
| **Transactions with owners in their capacity as owners:** | | | | |
| Issue of share capital | 354,850 | - | - | 354,850 |
| Share based payment | | - | - | - |
| Shares issued in lieu of services | | - | - | - |
| Costs of capital raising | (165,121) | - | - | (165,121) |
| **At 30 June 2018** | **8,359,159** | **(11,363,572)** | **1,450,445** | **(1,553,968)** |

| | | | | |
|---|---|---|---|---|
| **At 1 July 2016** | 6,700,737 | (4,406,279) | 956,045 | 3,250,503 |
| Adjustment to share capital | | | | |
| Total comprehensive loss for the period | - | (3,332,106) | - | (3,332,106) |
| **Transactions with owners in their capacity as owners:** | | | | |
| Issue of share capital | 2,622,095 | - | - | 2,622,095 |
| Costs of capital raising | (1,153,402) | - | 494,400 | (659,002) |
| **At 30 June 2017** | **8,169,430** | **(7,735,437)** | **1,450,445** | **1,884,438** |

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

**TIKFORCE LIMITED**

## Statement of Cash Flows

## For The Year Ended 30 June 2018

| | Note | Year ended 30 June 2018 $ | Year ended 30 June 2017 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 689,202 | 49,109 |
| Research & Development Tax Incentive | | 513,827 | 346,955 |
| Interest received | | 939 | 70 |
| Interest paid | | (260,616) | (6,340) |
| Payments to suppliers and employees | | (3,196,078) | (3,747,953) |
| **Net cash flows used in operating activities** | 6 | (2,252,726) | (3,358,159) |
| **Cash flows from investing activities** | | | |
| Payments to suppliers and employees - IP | | - | (6,328) |
| Payments for plant and equipment | | - | (11,652) |
| **Net cash flows used in investing activities** | | - | (17,980) |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | 2,750,000 | - |
| Repayment of borrowings | | (856,096) | - |
| Proceeds from issue of shares and options | | 354,850 | 2,222,094 |
| Payment of share issue costs | | (165,121) | (259,001) |
| **Net cash flows provided by financing activities** | | 2,083,692 | 1,963,093 |
| **Net decrease in cash and cash equivalents held** | | (169,034) | (1,413,046) |
| Add opening cash and cash equivalents brought forward | | 381,598 | 1,794,644 |
| **Closing cash and cash equivalents carried forward** | 6 | **212,564** | **381,598** |

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

**TIKFORCE LIMITED**

# Notes to the Financial Statements

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These consolidated financial statements and notes represent those of Tikforce Limited (or "the Company") and Controlled Entities (the "consolidated group", the "Group", or the "consolidated entity"). Tikforce Limited is a public listed company, incorporated and domiciled in Australia.

The separate financial statements of the parent entity, Tikforce Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The address registered office is Suite A7 435 Roberts Rd Subiaco WA, 6005, Australia.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 September 2019.

**(a) Going concern**

During the year ended 30 June 2018, the Group incurred net loss after tax of $3,628,135 (30 June 2017: $3,332,106) and a cash outflow from operating activity of $2,252,726 (30 June 2017: $3,358,159). As at 30 June 2018, the Group had cash and cash equivalents of $212,564 (30 June 2017: $381,598) and net liabilities of $1,553,969 (30 June 2017: $1,881,490).

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

In arriving at this position, the directors have had regard to the fact that the Group has, or in the directors' opinion will have access to, sufficient cash to fund administrative and other committed expenditure for a period of not less than 12 months from the date of this report.

In forming this view the directors have taken into consideration the following.

- The ability of the Company to obtain funding through various sources, including debt and equity issues which are currently being investigated by management;
- The Group will be issuing Notice of Meeting approved by ASX for shareholders to approve the conversion of all convertible notes to ordinary shares with the ASX as described in more detail in Note 10 Borrowings.
- The Group has the capacity, if necessary, to reduce its operating cost structure in order to minimise its working capital requirements.
- The ability to further vary cash flow depending upon the achievement of certain milestones within the business plan; and
- The expected receipt of sale proceeds from the sale of its main undertaking.

The directors have reasonable expectations that they will be able to raise additional funding needed for the Group to continue to execute against its milestones in the medium term. However, cashflows will be adjusted to ensure that the Company can pay its debts as and when they fall due until medium term funding is secured. This may have an impact on the ability of the Group to grow as rapidly as it anticipated but should provide a more sustainable cost base until funding is obtained.

Should the Group not achieve the matters set out above there is significant uncertainty whether the Company and the Group will continue as going concern and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustment relating to the recoverability or classification of the recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the Company or the Group not be able to continue as a going concern.

**(b) Basis of preparation**

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards and the financial report has been prepared on a historical cost basis.

The financial report has been presented in Australian Dollars, which is the functional currency of the Company.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

**(c) Parent entity information**

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 2.

**(d) Principles of Consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June each year. The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Tikforce Limited as at 30 June 2018 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and potential effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Investments in subsidiaries are accounted for at cost in the separate financial statements of Tikforce Limited.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 1 (v).

**(e) Business combinations**

Business combinations are accounted for using the acquisition method. The cost of the acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair-value, and the amount of any non – controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non – controlling interests in the acquiree at fair value or at the proportionate shares of the acquiree identifiable net assets. Acquisition – related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed to be appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. Any contingent consideration to be transferred by the acquirer will be recognised at the fair value at the acquisition date. Contingent conditions classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the statement of profit and loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non – controlling interest) and any previous interest held over the net identifiable assets acquired and liability assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the group re- assesses whether it has correctly identified all of the assets and all of the liabilities assumed and reviews the procedure used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment loss. For the purpose of impairment testing, goodwill acquired in a business is, from the acquisition date, allocated to each of the Group's cash – generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash generating unit (CGU), and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the proportion of cash – generating units retained.

**(f) Revenue recognition**

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Revenue is measured at the fair value of the consideration received or receivable. Revenue from rendering services is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

Research and development tax incentive income is recognised when the amount can be measured reliably and it is probable of being received.

**(g) Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprises cash at bank and in hand and short term deposits that are readily convertible to known amounts of cash and which are subject to the 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 defined above, net of outstanding bank overdrafts. Bank overdrafts are included within borrowings in the current liabilities in the statement of financial position.

**(h) Operating segments**

An operating segment is a component of an entity that engages in business activities from which it may earn revenues or incur expenses (including revenues and expenses relating to the transaction with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision makers (currently the Board) to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start – up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

**(i) Income tax**

The income tax expense or revenue 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 differences 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.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability, simultaneously.

**(j) Goods and Services Tax (GST)**
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.
Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

**(k) Impairment**
The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The impairment loss is recognised in the statement of profit or loss and other comprehensive income immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined has no impairment loss been recognised for the asset (cash generating unit) in prior years. A reversal of an impairment loss is recognised as income

**(l) Trade and other receivables**
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

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Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

**(m) Property, plant and Equipment**

Plant and equipment is stated at historical cost less accumulated depreciation.

Depreciation is calculated on a straight – line basis over the estimated life of the asset which ranges between 3 and 25 years.

*Derecognition*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continual use of the asset.

Any gain of loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the items) is included in the statement of comprehensive income in the period the item is derecognised.

**(n) Intangible Assets**

Intangible assets acquired separately are measured at initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible, excluding capitalised development costs (see Note 1o below), are not capitalised and the related expenditure is reflected in profit and loss in the period in which the expenditure is incurred. The useful lives of the intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lies are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of economic future benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting

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estimates. The amortised expense of intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash – generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supported. If not, the changes in the useful life from indefinite to finite are made on a prospective basis.

**(o) Research and development costs**

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset only when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is completed and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in the statement of profit and loss. During the period of development, the asset is tested for impairment annually.

*Amortisation*

A summary of the current amortisation rates applied to the Group's intangible assets are as follows

| | Development costs |
|---|---|
| Useful life | Finite (5 years) |
| Amortisation method | Amortised on a straight – line basis over the period of expected future sales from the related project |
| Internally generated or acquired | Internally generated |

**(p) Trade and other payables**

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which were unpaid. The amounts are unsecured.

**(q) Share based payments**

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The cost of equity-settled transactions 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 industry accepted pricing models such as Black-Scholes, Binomial and Montecarlo.

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

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 (see note 5).

**(r) Contributed equity**
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.

**(s) Earnings per share**

*(i) Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

*(ii) Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary share and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**(t) Foreign currency transactions**

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

**(u) New Accounting Standards for Application in Future Periods**

There are a number of new Accounting standards and interpretations issued by the AASB that are not yet mandatorily applicable to the consolidated group and have not been applied in preparation of these consolidated financial statements. The Group does not plan to adopt these standards early.

These standards are not expected to have a material impact on the Group in the current or future reporting periods.

**(v) Compound Financial Instrument**

Compound financial instruments comprise convertible notes denominated in Australian dollars that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of the compound financial instrument is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components.

Subsequent to initial recognition the liability component of a compound financial instrument is measured at amortised cost.

Interest related to the financial liability is recognised in the profit and loss.

**(w) Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom

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equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Impairment of capitalised development costs
The Group assesses impairment of capitalised development costs for assets available for use at each reporting date by evaluating conditions specific to the Group and to the particular assets that may lead to impairment. If an impairment trigger exists, the recoverable amount of the assets are determined. For capitalised development costs relating to assets not yet available for use, the recoverable amounts are determined annually. The determination of recoverable amount involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Amortisation of capitalised development costs
The useful life used to amortise capitalised development costs is estimated based on an anticipation of future events which may impact their life. The useful life represents managements view of the expected term over which the Group will receive benefits from the development and is regularly reviewed for appropriateness.

Share-based payment transactions
The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value are options are determined by using Binomial, Black-Scholes, and Monte Carlo models, which incorporate various estimates and assumptions. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Tax
Balances disclosed in the financial statements and the notes related to taxation, are based on the best estimates of directors, pending further assessment in the next financial year.

**2 PARENT ENTITY INFORMATION**

| Information relating to Tikforce Limited (the legal parent entity): | **2018** **$** | **2017** **$** |
|---|---|---|
| Current assets | 207,497 | 322,955 |
| Non-current assets | 1,791,161 | 5,137,569 |
| Total assets | 1,998,658 | 5,460,524 |
| Current liabilities | 1,998,658 | 96,578 |
| Total liabilities | 1,998,658 | 96,578 |
| Issued capital | 20,566,516 | 20,376,727 |
| Accumulated losses | (22,026,411) | (16,472,676) |
| Share options reserve | 1,459,895 | 1,459,895 |
| Total shareholders' equity | - | 5,363,946 |
| Loss of the parent entity | 5,553,735 | 432,785 |
| Total comprehensive loss of the parent entity | 5,553,735 | 432,785 |

The parent company has not entered into any guarantees, has no significant contingent liabilities, or contractual commitments for the acquisition of property, plant or equipment as at 30 June 2018.

**3 SEGMENT REPORTING**

During the year the consolidated entity operated predominantly in one segment, that being information technology for the development of its Tikforce platform, which enable increasingly mobile and freelance workers to better control where, for whom and when they work, and enable organisations to better manage their increasingly flexible workforce.

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**4 REVENUE AND EXPENSES**

| **4(a) Revenue from continuing operations** | **CONSOLIDATED** | |
|---|---|---|
| | **2018** | **2017** |
| | **$** | **$** |
| Sales to customers | 421,689 | 177,493 |
| R and D tax incentive – Relating to the year 30 June 2016 (i) | - | 346,955 |
| R and D tax incentive – Relating to the year to 30 June 2017 (ii) | - | 513,752 |
| R and D tax incentive – Relating to the year to 30 June 2018 (ii) | 455,103 | - |
| Net gain arising on financial liability (iii) | 955,494 | - |
| Other Income | 1,218 | 70 |
| Total Income | 1,833,504 | 1,038,270 |

(i) The research and development tax incentive in relation to the year to 30 June 2016 was received in December 2016. The group records tax incentive income when the amount can be measured reliably and it is probable of being received.
(ii) The research and development tax incentive was received subsequent to year end (Note 22)
(iii) The net gain arising on financial liability is related to the revaluation of the convertible note

| **4(b) Expenses** | **CONSOLIDATED** | |
|---|---|---|
| **i) Employee benefit expense** | **2018** | **2017** |
| | **$** | **$** |
| Wages and salaries expenses | 1,648,527 | 1,561,789 |
| Superannuation and annual leave expense | 96,098 | 204,547 |
| Payroll tax expense and staff training | 59,104 | 53,579 |
| | **1,803,729** | **1,819,915** |
| **ii) Impairment** | | |
| Impairment of Min-Trak intellectual property (Note 8) | - | 450,000 |
| Impairment of intellectual property | 1,078,300 | 2,647 |
| | **1,078,300** | **452,647** |
| **iii) Compliance and Regulatory fees** | | |
| Audit and tax expenses | 50,057 | 159,207 |
| ASX and ASIC expenses | 25,697 | 52,534 |
| Share registry expenses | 24,534 | 40,406 |
| | **100,288** | **252,147** |

**5 LOSS PER SHARE**

Basic loss per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per share amounts are calculated by dividing the net loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

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The following reflects the net loss and no of shares used in the basic and diluted loss per share computations:

| | CONSOLIDATED | |
|---|---|---|
| | 2018 | 2017 |
| | $ | $ |
| Net loss after income tax benefit attributable to members | (3,628,135) | (3,332,106) |
| Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS and diluted EPS | 179,811,175 | 133,351,889 |
| Earnings per share (Cents) | (2.02) | (2.50) |

**6 CASH AND CASH EQUIVALENTS**

- **Reconciliation of cash**

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

| | CONSOLIDATED | |
|---|---|---|
| | 2018 | 2017 |
| | $ | $ |
| Cash at bank | 212,564 | 381,598 |

Cash at bank earns interest at floating rates based on daily bank deposit rates. Cash deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

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- **Reconciliation of loss from ordinary activities after income tax to net cash flows from operating activities**

| | CONSOLIDATED | |
|---|---|---|
| | **2018** | **2017** |
| | **$** | **$** |
| Loss after income tax | (3,628,135) | (3,332,106) |
| Amortisation expense | 53,960 | 396,729 |
| Impairment expense | 1,078,300 | 450,000 |
| Development costs written off | | 173,492 |
| Miscellaneous expenses | 37,608 | - |
| **Movements in assets and liabilities** | | |
| Movement in current trade and other receivables | (78,495) | (452,847) |
| Movement in other assets | (77,412) | (39,353) |
| Movement in non-current other receivables | 189,289 | (189,289) |
| Movement in trade and other payables, net of reclassifications (Note 10) | 239,196 | (429,622) |
| Movement in provisions | (61,603) | 59,462 |
| Movement in other liabilities | (5,375) | 5,375 |
| Cash out flow from operations | (2,252,667) | (3,358,159) |

Non-cash financing activities are outlined in Notes 12 and 13.

**7 RECEIVABLES**

| | CONSOLIATED | |
|---|---|---|
| | **2018** | **2017** |
| | **$** | **$** |
| **a) Current** | | |
| Trade and other receivables | 70,793 | 90,564 |
| R and D tax incentive (i) | 455,028 | 513,752 |
| | 525,821 | 604,316 |

(i) Received subsequent to year end (Note 22)

| **b) Non-current** | CONSOLIATED | |
|---|---|---|
| | **2018** | **2017** |
| | **$** | **$** |
| Loans receivable – AAG Management Pty Ltd (i) | - | 90,000 |
| Loan – GCP Capital Ltd (i) | - | 50,000 |
| Loan – Silikonrok Pty Ltd (i) | - | 30,253 |
| Other loans receivable (i) | - | 19,036 |
| | - | 189,289 |

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## 8 INTANGIBLE ASSETS

| | Research and Development | Intellectual Property - Mintrak | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Year ended 30 June 2018** | | | |
| **Opening value as at 1 July 2017** | **682,271** | **513,625** | **1,195,896** |
| Impairment (i) | (564,675) | (513,625) | (1,078,300) |
| Amortisation | (117,596) | - | (117,596) |
| **Closing value as at 30 June 2018** | **-** | **-** | - |

| | Research and Development | Intellectual Property - Mintrak | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Year ended 30 June 2017** | | | |
| **Opening value as at 1 July 2016** | **1,246,164** | **963,625** | **2,209,789** |
| Additions | 6,328 | - | 6,328 |
| Development costs written off | (173,492) | - | (173,492) |
| Impairment (i) | - | (450,000) | (450,000) |
| Amortisation | (396,729) | - | (396,729) |
| **Closing value as at 30 June 2017** | **682,271** | **513,625** | **1,195,896** |

(i) As at 30 June 2017, the directors reviewed the carrying value of intellectual property acquired on acquisition in the prior year (Note 19). Due to movements in the market for such technology and the Group focusing on other development opportunities, the directors estimated an impairment charge in relation to this asset.

## 9 TRADE AND OTHER PAYABLES

| | CONSOLIDATED | |
|---|---|---|
| | 2018 | 2017 |
| | $ | $ |
| Trade payables | 310,598 | 67,118 |
| Other payables and accrued expenses | 446,398 | 272,714 |
| | 756,996 | 339,832 |

## 10 BORROWINGS

| | CONSOLIDATED | |
|---|---|---|
| | 2018 | 2017 |
| | $ | $ |
| Convertible notes(ii) | 567,182 | - |
| Financial liability conversion feature(ii) | 497,820 | - |
| Financial liability – attaching option(ii) | 278,603 | - |
| Convertible note – Interest Payable (ii) | 100,000 | - |
| Loan from Odin Energy Ltd (i) | 50,000 | 50,000 |

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| | | |
|---|---|---|
| Loan from Green Base (i) | 25,000 | 25,000 |
| Loan from GCP Capital Ltd (i) | 25,050 | 25,050 |
| Other loans | 694 | 6,046 |
| | 1,544,349 | 106,096 |

The convertible notes, issued in March 2018 to raise a possible $2,000,000, are to be repaid on or before 30 March 2019. The company has lodged a Notice of Meeting for shareholders to approve the conversion of all convertible notes to ordinary shares with the ASX, however at the date of this report this has not yet been approved by the ASX. 706,335,386 Shares and 706,335,386 Options will be issued upon conversion of the convertible notes. The deemed issue price will be $0.00283 per Share (being the volume weighted average price for the 5 trading days prior to the date of issue of a conversion notice by the holders of the Convertible Notes) with each Option being issued free attaching to the Shares issued.

The key terms of the convertible notes issued on 27 March 2018 include:
Total possible proceeds to be raised: $2M
Conversion price the lower of:
$0.02 or:
80% of the volume weighted average market price for the shares in the 5 days prior to conversion; or
the event of a capital raising, at a 20% discount to the issue price of the capital raising

(i) The loans have interest payable at 20% per annum on the face value of the note, payable monthly in advance on the first day of each month. The notes are due for repayment on 30 March 2019.
(ii) Value of options granted on conversion and conversion right has been determined by an independent valuation. The value is being amortised over the life of the notes using the binomial option pricing model.

**11 PROVISIONS**

| | CONSOLIDATED | |
|---|---|---|
| | **2018** | **2017** |
| | **$** | **$** |
| Provision for annual leave | 35,729 | 97,332 |
| | 35,729 | 97,332 |

**12 CONTRIBUTED EQUITY**

| | CONSOLIDATED | |
|---|---|---|
| | **2018** | **2017** |
| | **$** | **$** |
| **(a) Issued and fully paid up capital** | | |
| 170,209,455 (2017: 170,209,455) ordinary shares fully paid | 8,359,159 | 8,169,430 |

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| SHARES | Number | $ |
|---|---|---|
| Shares on issue 1 July 2017 | 170,209,455 | 8,169,430 |
| Placement to Sophisticated Investors | 10,000,000 | 150,000 |
| Rights issue | 13,656,722 | 204,850 |
| Shares issued to brokers | - | - |
| Costs of capital | - | (165,121) |
| TOTAL SHARES ON ISSUE 30 JUNE 2018 | 193,866,177 | 8,359,159 |
| SHARES | Number | $ |
| Shares on issue 1 July 2016 | 117,767,564 | 6,700,737 |
| Placement to Sophisticated Investors | 10,000,000 | 500,000 |
| Rights issue | 34,441,891 | 1,722,094 |
| Shares issued to brokers (i) | 8,000,000 | 400,000 |
| Costs of capital (i) | - | (1,153,401) |
| TOTAL SHARES ON ISSUE 30 JUNE 2017 | 170,209,455 | 8,169,430 |

(i) Includes:

- Fair value of 16 million options and 12 performance rights issued to CPS Capital Group Pty Ltd as outlined in the Notice of Meeting announced on 7 February 2017; and
- Value of 8 million shares issued to CPS Capital Group Pty Ltd for share placement management fees as outlined in the prospectus announced on 16 November 2016.

**b) Terms and conditions of contributed equity**

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder' meetings.

In the event of winding up the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation**.**

**c) Capital Risk Management**

The consolidated entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

**TIKFORCE LIMITED**

In order to maintain or adjust the capital structure, the consolidated entity may issue new shares.

The consolidated entity monitors capital with reference to the net debt position. The consolidated entity's current policy is to ensure that cash and cash equivalents exceeds debt at all times.

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## 13 SHARE BASED PAYMENTS RESERVE

| | $ |
|---|---|
| Opening balance 1 July 2017 | 1,450,445 |
| Nil movements | - |
| Closing balance 30 June 2018 | 1,450,445 |

**Performance Shares**

On 31 March 2016 a total of 41,000,000 Performance Shares were issued assssss as disAs disclosed in the previous financial report. The Performance shares were initially valued at $Nil, as the probability of performance hurdles being met was assessed as less than probable on the date of acquisition and as at 30 June 2016. As at 30 June 2018, the above vesting conditions had not been met and the value remains $Nil.

**Performance Rights**

On 13 June 2017 a total of 12,000,000 Performance Rights were issued as disclosed in the previous financial report.

As at 30 June 2018, the above vesting conditions had not been met.

## 14 ACCUMULATED LOSSES

| | CONSOLIDATED | |
|---|---|---|
| | 2018 | 2017 |
| | $ | $ |
| Balance at beginning of year | (7,735,437) | (4,406,279) |
| Net (loss) | (3,628,135) | (3,332,106) |
| Balance at end of financial year | (11,363,573) | (7,735,437) |

## 15 INCOME TAX EXPENSE

The prima facie tax on loss before income tax is reconciled to income tax as follows:

| | CONSOLIDATED | |
|---|---|---|
| | 2018 | 2017 |
| | $ | $ |
| Loss before tax from continuing operations | (3,628,135) | (3,332,106) |
| Income tax benefit calculated at 27.5% | (997,737) | (999,632) |
| Effect of non-deductible expenditure when calculating taxable loss | 301,194 | 1,144,297 |

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| | | |
|---|---|---|
| Movement in unrecognised temporary differences | 4,155 | - |
| Income tax benefit on tax losses not brought into account | 692,388 | (144,665) |
| Income tax attributable to operation loss | - | - |
| | | |
| Unrecognised deferred tax balances | - | - |
| tax losses – revenue | - | - |
| Deductible temporary differences | - | - |
| Total un-recognised deferred tax assets | - | - |

While no formal analysis has been conducted to date as to whether the Company satisfies tests allowing it to carry forward its taxation losses it is considered that a substantial part of these losses may not be capable of being carried forward. The taxation losses are only realisable if:

(i) The Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the losses and deductions to be realised;
(ii) The Company continues to comply with the conditions for deductibility imposed by the law; and
(iii) No changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the losses.

## 16 RELATED PARTY DISCLOSURE

**Particulars in relation to controlled entities**

| Controlled entities | Country of Incorporation | Financial Reporting Date | Interest held 2018 % | Interest held 2017 % |
|---|---|---|---|---|
| Tikforce Limited | Australia | 30 June | 100 | 100 |
| Tikforce Operations Pty Ltd (2) | Australia | 30 June | 100 | 100 |
| Min – Trak Pty Ltd (i) | Australia | 30 June | 100 | 100 |
| Misto Nominees Pty Ltd (i) | Australia | 30 June | 100 | 100 |
| John Minerals Pty Ltd (i) | Australia | 30 June | 100 | 100 |

- *(1) Subsidiary of Tikforce Ltd*
- *(2) Subsidiary of Misto Nominees Pty Ltd*

## 17 DIRECTOR AND EXECUTIVE DISCLOSURES

**Details of Key Management Personnel**

| | |
|---|---|
| Duncan Anderson | Non – Executive Chairman |
| Kevin Baum | Managing Director |
| Stuart Usher | Non-Executive Director (Appointed 20 August 2018) |

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| | |
|---|---|
| Andrew Houtas | Non-Executive Director (Appointed 28 November 2017, Resigned 20-August 2018) |
| Roland Berzins | Non-Executive Director (Resigned 28 November 2017) |

**Aggregate remuneration of key management personnel**

| | CONSOLIDATED | |
|---|---|---|
| | **2018** | **2017** |
| | **$** | **$** |
| Salary and fees | 344,983 | 485,500 |
| Superannuation | 21,216 | 29,687 |
| **Total** | **366,199** | **514,687** |

**Granted and exercisable option holdings of directors and executives**
During the reporting period, no options were granted to a director or executive as remuneration, and no options were exercised by a director or executive from options previously granted as remuneration.

**18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The group's principal financial instruments comprise cash, short-term deposits and receivables.

The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial liabilities such as trade payables, which arise directly from its operations. The main market risks arising from the Group's financial instruments are interest rate risk and liquidity risk.

**18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

**Risk management**

The Group's exposure to market risk, credit risk, liquidity risk and foreign currency risk and policies in regard to these risks are outlined below:

**Market Risk**
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**Credit Risk**
Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, and trade receivables. The maximum exposure to credit risk at the

reporting to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial report.

Receivable balances are monitored on an ongoing basis with the result that the Group’s exposure to bad debts is not significant.

**Liquidity Risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unnecessary losses or risking damage to the Group’s reputation. The Group’s objective is to maintain adequate resources by continuously monitoring forecast and actual cash flows and maturity profiles of assets and liabilities.

**Interest rate risk**

The Group does not have significant interest bearing borrowings and therefore exposure to interest rate risk is minimal. The Group’s exposure to the risk of changes in market interest rates relates primarily to the Group’s cash balances with floating interest rates.

The consolidated entity’s exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities at the reporting date are as follows;

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**18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

| Financial Instrument | Fixed Interest Rate | | Floating Interest Rate | | Non-Interest Bearing | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2018 $ | 2017 $ | 2018 $ | 2017 $ | 2018 $ | 2017 $ | 2018 $ | 2017 $ |
| (i) Financial assets | | | | | | | | |
| Cash and cash equivalents | - | - | - | - | 212,564 | 381,598 | 212,564 | 381,598 |
| Trade and other receivables | - | - | - | - | 525,821 | 604,316 | 525,821 | 604,316 |
| Total financial assets | - | - | - | - | 738,385 | 985,914 | 738,385 | 985,914 |
| Weighted average interest rate | - | - | - | - | - | - | - | - |
| (ii) Financial liabilities | | | | | | | | |
| Trade and other payables | - | - | - | - | 756,996 | 339,832 | 756,996 | 339,832 |
| Borrowings | 1,554,349 | - | - | - | - | 106,096 | 1,544,349 | 106,096 |
| Total financial liabilities | 1,554,349 | - | - | - | 756,996 | 445,928 | 2,301,345 | 445,928 |

The Company has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrated the effect on the current year results of an increase or decrease in the interest rates by 100 basis points would not be material to the group.

**(a) Net fair values**

The carrying amount approximates fair value for all financial assets and liabilities.

- **Foreign currency risk**

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency.

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## 18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The group currently does not significantly operate internationally and has limited exposure to foreign exchange risk arising from various currency exposures, with very small transaction occurring in the USD. Carrying amounts for Parent and Australian subsidiaries are in Australian dollars so there is no day to day exposure to foreign exchange risk.

## 19. AUDITORS' REMUNERATION

| | CONSOLIDATED | |
|---|---|---|
| | 2018 | 2017 |
| | $ | $ |
| Audits or review of the financial report of the entity and any other entity in the consolidated group | | |
| - Greenwich & Co Audit Pty Ltd | 31,000 | 32,200 |
| | 31,000 | 32,200 |

The auditor and its associated entities received or are due to receive the following amounts for the provision of non-audit services:

| | CONSOLIDATED | |
|---|---|---|
| | 2018 | 2017 |
| | $ | $ |
| - Taxation services | 2,000 | 2,000 |
| - Investigating accountants reports | | - |
| Total non-audit services | 2,000 | 2,000 |

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### 21 COMMITMENTS AND CONTINGENCIES

(i) Operating lease commitments
The Group had no future non-cancellable operating lease liabilities at 30 June 2018 (2017: nil).

(ii) Contingent liabilities
As at the date of this report, the Company has legal proceedings that are in commencement in the Supreme Court of Western Australia. The Plaintiff, Alignment Capital Pty Ltd is alleging a breach by Tikforce Ltd of a mandate agreement between the parties dated 19 October 2017 and varied on 17 November 2017.

The alleged breaches of the mandate agreement include breach of contract, proposed capital raising, issue of options, non-reduction in CEO salary, acceptance of new funding, failure of obtaining independent research note and failure to commit to roadshows. The claim for the alleged breaches include issue of options and fees under the mandate. Alignment is alleging an entitlement to damages, interest at the rate of 6% per annum from the date such damages were incurred and costs. The claim has not been quantified by Alignment.
Tikforce disputes Alignment's claims in full and will be fully defending the proceedings.

The Group had no other contingent liabilities as at 30 June 2018.

### 22 EVENTS AFTER THE REPORTING DATE

Subsequent to financial year end, the Company announced on the ASX that:

Subsequent to financial year end, the Company received the Research and Development tax incentive for the financial year ending 30 June 2018 of $455,103.

The Company has called a general meeting of shareholders to be held on 2 November 2018 to seek shareholder approval for the disposal of its main undertaking. On or about 16 August 2018, the Company's wholly owned subsidiary, Tikforce Operations Pty Ltd (ACN 168 318 616) (**TOPL**), entered into a binding Global Software Licence Agreement with Gambier under which TOPL will grant to Gambier an exclusive, non-revocable, royalty free, world-wide licence to use the "TikForce" cloud-based workforce compliance platform (**Licence**).

The initial consideration payable to TOPL for the grant of the Licence will be $10 for the period following commencement of the Licence until 30 September 2018. Should TOPL elect to terminate the Licence at the end of the Term, Gambier has the right to elect to extend the Licence in perpetuity by paying to TOPL:

A sum of $100,000 within 14 days following TOPL giving notice of its intention to terminate to Gambier; and

A sum of $250,000 within 3 months following TOPL giving notice of its intention to terminate to Gambier,

(together, the **Extension Fee**).

**TIKFORCE LIMITED**

The Licence Agreement does not in any way restrict TOPL from using the intellectual property the subject of the Licence.

The Licence Agreement can be terminated by TOPL if an insolvency event occurs in respect of Gambier and can otherwise be terminated by either party if default is made by the other party in performance or observance of any provision of the Licence Agreement, and such default is not remedied within 30 days after notice specifying such default is given to the party.

As set out in the Company's announcement of 16 August 2018, Gambier has the exclusive right to negotiate a sale of TOPL's business and thereafter will have a first right of refusal with respect to a sale of TOPL's business. Gambier has exercised its right to negotiate an acquisition of the business operating as "Tikforce" (**Tikforce Business**).

Gambier's current offer is to pay a cash consideration of $350,000, less any amounts paid by Gambier as an Extension Fee (**Proposed Sale**). The Board has determined that it will not proceed with further discussions in relation to the Proposed Sale on the above terms until such time as Resolution 1 has been considered by Shareholders. If Shareholders approve the Proposed Sale, the Company will engage in negotiations with Gambier with respect to the Proposed Sale, provided that the total consideration payable by Gambier shall not be less than $350,000 inclusive of any Extension Fee.

ASX has indicated to the Company that it considers the grant of the Licence to be a disposal of the Company's main undertaking, which requires Shareholder approval under ASX Listing Rule 11.2. Further, ASX has indicated that the Company will be required to acquire new assets and comply with ASX Listing Rules 11.1.2 and 11.1.3 prior to its securities being reinstated to trading on the ASX.

In the same notice of meeting Shareholder approval is sought for the issue of up to 706,335,386 Shares and 706,335,386 Options upon conversion of convertible notes, the terms of which are set out in the Company's announcement dated 16 March 2018. (Convertible Notes)

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## Directors' Declaration

In accordance with a resolution of the directors of Tikforce Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the company and of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2018 and of their performance for the year ended on that date; and

   (ii) complying with Accounting Standards and *Corporations Regulations 2001*; and

(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) Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors

Kevin Baum
Director
28th September 2018

Greenwich & Co

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# Independent Audit Report to the members of TikForce Limited

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of TikForce Limited and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, 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 year 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 2018 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for 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

Without qualifying our opinion, we draw attention to Note 1 (a) to the financial statements which outlines the principal conditions that raise doubt about the consolidated entity's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

### 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 current period. 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. In addition to the matter described in the Emphasis of Matter section, we have determined the matter described below to be a key audit matter to be communicated in our report.

**Capitalised development costs**

Refer to Note 8, Intangible Assets and accounting policy Notes 1(k),1(n) and 1(o)

| Key Audit Matter | How our audit addressed the matter |
|---|---|
| The Group has previously capitalised costs relating to internally developed software and had capitalised intellectual property acquired on acquisition of Min-Trak Pty Ltd in March 2016<br><br>We focused on this area as a key audit matter due to the significance of the asset balance to the Group's consolidated statement of financial position and due to judgement involved in:<br><br>- The Group's assessment of the carrying value as at 30 June 2018 for impairment; and<br>- The Group's assessment of the economic useful life of the products developed<br><br>The intangible asset was impaired this year and had a carrying amount of nil at the year end. | Our audit work included, but was not restricted to, the following:<br><br>• Assessing the nature of projects deemed by management to be capital in nature and evaluating these against the requirements of AASB 138 Intangible Assets;<br>• Reviewing and challenging management's assumptions and analysing their assessment as to whether impairment indicators exist in relation to the capitalised software costs; and<br>• Assessing the amortisation period established and comparing to revenue forecast prepared by management and;<br>• Assessing and challenging management's assessment of the carrying value of intangibles as at 30 June 2018 and the impairment charge for the year then ended. |

**Other Information**

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is included in the annual report, 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 on the other information obtained prior to the date of this auditor's report, 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 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 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 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 Responsibilities 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 the financial report.

As part of an audit in accordance with the 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.

- 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 directors' 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, among 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 13 to 19 of the directors' report for the period ended 30 June 2018. The directors of the TikForce Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of TikForce Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Greenwich & Co Audit Pty Ltd

**Greenwich & Co Audit Pty Ltd**

**Rafay Nabeel**
Audit Director

28th September 2018
Perth

**TIKFORCE LIMITED**

## Additional Shareholders Information

Additional information required by the Australian Stock Exchange (ASX) listing rules are set out below.

**1. Equity Security Holders** - Current as at 20 September 2018

The names of the twenty largest holders of equity securities are listed below.

**Ordinary Shares**

| Ranking | Name | Shares Held | % of total shares |
|---|---|---|---|
| 1 | ANGKOR IMPERIAL RESOURCES PTY LTD <TURKISH BREAD S/F A/C> | 14,588,505 | 7.4 |
| 2 | SILIKONROK PTY LTD | 14,178,750 | 7.19 |
| 3 | KILO DELTA PTY LTD <BAUMSTEIN FAMILY A/C> | 11,628,168 | 5.9 |
| 4 | MR DAVID ANDREW THOMAS + MS NICOLA JANE THOMAS | 10,109,389 | 5.13 |
| 5 | ALIGNMENT CAPITAL PTY LTD | 6,666,667 | 3.38 |
| 6 | UBS NOMINEES PTY LTD | 6,250,000 | 3.17 |
| 7 | MR BRIAN PETER BYASS | 5,217,135 | 2.65 |
| 8 | MR ROSS JEREMY TAYLOR <JAMANARO A/C> | 5,173,341 | 2.63 |
| 9 | SCINTILLA STRATEGIC INVESTMENTS LIMITED | 5,000,000 | 2.54 |
| 10 | JASON BRENT SMITH + DANIELLE ALANA SMITH | 4,950,000 | 2.51 |
| 11 | MR JAMES OWEN STROGUSZ + MRS MALGORZATA STROGUSZ | 4,500,000 | 2.28 |
| 12 | SEEFELD INVESTMENT PTY LTD | 4,156,250 | 2.11 |
| 13 | MR GRANT RICHARD THOMAS | 4,137,222 | 2.1 |
| 14 | UNION SQUARE CAPITAL PTY LTD <ENDEAVOR A/C> | 3,436,688 | 1.74 |
| 15 | MR ANTHONY MICHAEL MALYNIAK <EJM A/C> | 3,246,546 | 1.65 |
| 16 | EZR SYSTEMS PTY LTD | 3,165,000 | 1.61 |
| 17 | MR PAUL DANIEL LEARY | 2,591,722 | 1.32 |
| 18 | GEJOHE PTY LTD <MCCARTHY FAMILY S/F A/C> | 2,505,756 | 1.27 |
| 19 | MR MICHAEL JOHN SHIRLEY | 2,500,000 | 1.27 |
| 20 | CITYSIDE INVESTMENTS PTY LTD | 2,500,000 | 1.27 |
| **Total of top 20 Shareholders** | | **116,501,139** | **59.12** |

## TIKFORCE LIMITED

**2. Substantial Shareholders** (Current as at 20 September 2018)

Substantial holders of equity securities in the Company are set out below.

| Name | Shares held | % of total shares |
|---|---|---|
| Collectively all the following -<br>EZR Systems Pty Ltd<br>Valplan Pty Ltd <Troy Valentine Fam S/F Account><br>Alignment Capital Pty Ltd<br>Cityside Pty Ltd<br>Union Square Capital Pty Ltd <Endeavor A/C> | 17,731,667 | 9.15% |
| Angkor Imperial Resources Pty Ltd <Turkish Bread Super A/C> | 14,588,505 | 7.53% |

**3. Distribution of Equity Securities** (Current as at 20/ 09 / 2018)

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

Class of Security – **Ordinary Shares**

| Holding Range | Number of shareholders | Number of shares | %age of Securities issued |
|---|---|---|---|
| 1 – 1,000 | 421 | 109,300 | 0.06 |
| 1,001 – 5,000 | 94 | 260,315 | 0.13 |
| 5,001 – 10,000 | 43 | 346,830 | 0.18 |
| 10,001 – 100,000 | 197 | 8,670,217 | 4.40 |
| 100,001 and over | 168 | 187,679,515 | 95.24 |
| **Total** | **923** | **197,066,177** | **100%** |

Number of holders holding less than a marketable parcels is 192

| Shareholders by Location | No. of Holders | No. of Shares |
|---|---|---|
| Australian holders | 904 | 182,859,567 |
| Overseas holders | 19 | 14,206,610 |
| | **923** | **197,066,177** |