

General Purpose Financial Report

**Miner Group Ltd and controlled entities**

ABN 65 159 858 509

30 June 2019

For personal use only

# Contents

	Page
Director's Report	3
Auditors Independence Declaration	5
Consolidated Statement of Profit or Loss & Other Comprehensive Income	6
Consolidated Statement of Financial Position	7
Consolidated Statement of Changes in Equity	8
Consolidated Statement of Cash Flows	9
Notes to the Consolidated Financial Statements	10
Directors' Declaration	27
Independent Audit Report	28

**Miner Group Ltd and controlled entities**

**ABN 65 159 858 509**

## **Directors' Report**

Your Directors present their report on the group for the financial year ended 30 June 2019.

The names of the Directors in office at any time during or since the end of the year are:

David Williams - Non Executive Director and Chairman

George Rolleston - Non Executive Director

Michael Trusler - Executive Director

Mike Davis - Executive Director

Directors' have been in office since the start of the financial year to the date of this report unless otherwise stated.

The group made an operating loss for the financial year after providing for income tax amounting to \$5,304,697 (2018: loss of \$4,181,863).

A review of the operations of the group during the financial year reflects that there has been continued investment in the Felix technology and increased traction in sales. Sales increased by 25% during the year to \$3,012,871.

The principal activities of the group during the financial year was the development and sale of the Felix platform. No significant change in the nature of these activities occurred during the year.

Subsequent to year end the group has issued additional share capital, raising \$5,041,831 via a convertible note. Other than the capital raise noted above, no significant subsequent events have occurred since the reporting date which would make these financial statements for the year materially inaccurate or misleading, nor are any matters pending which might have such an effect.

Further information about likely developments in the operations of the group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the group

The group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

No dividends were paid or declared for payment since the start of the financial year.

No options over issued shares in the group were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

**Miner Group Ltd and controlled entities**

**ABN 65 159 858 509**

The group has paid premiums to insure the directors against liabilities for costs and expenses incurred in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving wilful breach of duty in relation to the group. The policy does not permit the disclosure of the premium paid.

No person has applied for leave of Court to bring proceedings on behalf of the group or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

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

**Auditor's Independence Declaration**

A copy of the Auditor's Independence Declaration as required under Section 307c of the Corporations Act 2001 is set out on page 5.

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



---

Director

Dated this 31st day of October 2019

## Auditor's Independence Declaration

### To the Directors of Miner Group Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Miner Group Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



M S Bell  
Partner – Audit & Assurance

Brisbane, 31<sup>st</sup> October 2019

Grant Thornton Audit Pty Ltd ACN 130 913 594  
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

[www.grantthornton.com.au](http://www.grantthornton.com.au)

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation.

# Consolidated Statement of Profit or Loss & Other Comprehensive Income

for the year ended 30 June 2019

	Notes	2019 \$	2018 \$
Sales revenue	2	3,012,871	2,416,814
Other revenue		134,700	32,916
Employee benefits	16	(5,557,982)	(4,167,066)
Depreciation and amortisation expenses		(460,849)	(341,228)
Finance costs		(3,061)	(20,583)
Consultants fees		(1,026,086)	(696,056)
Other expenses from ordinary activities		(1,392,577)	(1,424,938)
<b>Profit/(loss) before income tax</b>	3	<b>(5,292,984)</b>	<b>(4,200,141)</b>
Income tax (expense) /benefit	4	-	-
<b>Profit/(loss) attributable to members of the entity</b>		<b>(5,292,984)</b>	<b>(4,200,141)</b>
Other comprehensive income:			
Exchange differences on translating foreign controlled entities		(11,713)	18,278
Other comprehensive income/(expense), net of income tax		(11,713)	18,278
<b>Total comprehensive income/(loss) attributable to members of the entity</b>		<b>(5,304,697)</b>	<b>(4,181,863)</b>

This statement should be read in conjunction with the notes to the financial statements.

# Consolidated Statement of Financial Position

as at 30 June 2019

	Notes	2019 \$	2018 \$
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents	5	628,738	6,023,723
Trade and other receivables	6	148,483	227,855
Contract assets	6	189,722	-
Other current assets	7	606,667	457,989
<b>Total Current Assets</b>		<b>1,573,610</b>	<b>6,709,567</b>
<b>Non-Current</b>			
Property, plant and equipment	8	511,572	99,523
Intangible assets	9	573,307	477,238
<b>Total Non-Current Assets</b>		<b>1,084,879</b>	<b>576,761</b>
<b>Total Assets</b>		<b>2,658,489</b>	<b>7,286,328</b>
<b>Liabilities</b>			
<b>Current</b>			
Trade and other payables	10	1,080,546	927,799
Borrowings	11	140,972	7,371
Contract liability	12	1,328,667	1,204,629
Short term provisions	13	233,880	210,482
<b>Total Current Liabilities</b>		<b>2,784,065</b>	<b>2,350,281</b>
<b>Non-Current</b>			
Borrowings	11	209,168	4,098
Long term provisions	13	143,297	93,842
<b>Total Non-Current Liabilities</b>		<b>352,465</b>	<b>97,940</b>
<b>Total Liabilities</b>		<b>3,136,530</b>	<b>2,448,221</b>
<b>Net Assets</b>		<b>(478,041)</b>	<b>4,838,107</b>
<b>Equity</b>			
Issued capital	14	16,764,641	16,776,092
Retained earnings/(accumulated losses)		(17,236,075)	(11,943,091)
Reserves		(6,607)	5,106
<b>Total Equity</b>		<b>(478,041)</b>	<b>4,838,107</b>

This statement should be read in conjunction with the notes to the financial statements.

# Consolidated Statement of Changes in Equity

for the year ended 30 June 2019

Notes	Share Capital Ordinary \$	Retained Earnings (Accumulated Losses) \$	Foreign Currency Reserve \$	Total \$
<b>Balance at 30 June 2017</b>	8,413,991	(7,742,950)	(13,172)	657,869
Total comprehensive income/(loss)	-	(4,200,141)	18,278	(4,181,863)
Contributions of equity	8,362,101	-	-	8,362,101
<b>Balance at 30 June 2018</b>	<b>16,776,092</b>	<b>(11,943,091)</b>	<b>5,106</b>	<b>4,838,107</b>
Total comprehensive income/(loss)	-	(5,292,984)	(11,713)	(5,304,697)
Contributions of equity	(11,451)	-	-	(11,451)
<b>Balance at 30 June 2019</b>	<b>16,764,641</b>	<b>(17,236,075)</b>	<b>(6,607)</b>	<b>(478,041)</b>

This statement should be read in conjunction with the notes to the financial statements.



# Consolidated Statement of Cash Flows

for the year ended 30 June 2019

	Note	2019 \$	2018 \$
<b>Cash Flow from Operating Activities</b>			
Receipts from customers		3,185,663	3,243,494
Payments to suppliers and employees		(8,010,239)	(5,921,814)
Interest received		69,295	3,261
Interest paid		(3,061)	(20,583)
<b>Net cash provided by/(used in) operating activities</b>	15	<b>(4,758,342)</b>	<b>(2,695,642)</b>
<b>Cash Flow from Investing Activities</b>			
Proceeds from sale of property, plant and equipment		8,410	3,033
Payment for plant and equipment		(478,192)	(79,583)
Payment for intangible assets		(494,081)	(413,779)
<b>Net cash provided by/(used in) investing activities</b>		<b>(963,863)</b>	<b>(490,329)</b>
<b>Cash Flow from Financing Activities</b>			
Net proceeds/(repayment) of borrowings		338,671	(6,218)
Net proceeds of share issue		(11,451)	8,362,101
<b>Net cash provided by/(used in) financing activities</b>		<b>327,220</b>	<b>8,355,883</b>
Net increase/(decrease) in cash held		(5,394,985)	5,169,912
Cash at beginning of year		6,023,723	853,811
<b>Cash at end of year</b>	15	<b>628,738</b>	<b>6,023,723</b>

This statement should be read in conjunction with the notes to the financial statements.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2019

## 1. Statement of significant accounting policies

The financial report includes the consolidated financial statements and notes of Miner Group Limited ("Company") and its controlled entities ("Group").

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards - Reduced Disclosure Requirements and other authoritative pronouncements of the Australian Accounting Standards Board. The Group is a for-profit entity for the purpose of preparing the financial statements. Material accounting policies adopted in the presentation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Apart from cash flow information, the financial statements have been prepared under an accrual accounting method and are based on historical cost modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

### Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 30 June 2019. Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. The Group obtains and exercises control through more than half of the voting rights. All subsidiaries have a reporting date of 30 June.

All transactions between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal as applicable.

### Going concern

For the year ending 30 June 2019, the group has incurred a loss before income tax of \$5,292,984 (2018: \$4,200,141) and had negative cashflows from operations of \$4,758,342 (2018: \$2,695,642) for the period. As at 30 June 2019, the group has a deficiency of net assets of \$478,041 and a net current asset deficiency of \$1,210,455. These events or conditions indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Management has recently placed significant investment into its technology. It is anticipated that the proceeding twelve months will likely result in continued increases in revenue from implementations and licences.

Subsequent to year end, in October 2019, the board has successfully completed a capital raise, receiving funds of \$5,041,831 via a convertible note from new shareholders. It is forecast that additional capital will be required during the 2020 financial year. The report has been prepared on a going concern basis as it is anticipated that this capital will be raised.

### Accounting policies

#### a. Income tax

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, the Australian Taxation Office (ATO) and other fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2019

## 1. Statement of significant accounting policies (continued)

### Accounting policies

#### a. Income tax (continued)

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Group's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

#### b. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

#### Plant and equipment

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

#### Depreciation

The depreciable amount of all fixed assets are depreciated over their useful lives commencing from the time the asset is held ready for use.

The depreciation rates and method used for each class of depreciable assets are:

Office equipment	10 - 33%
Computer equipment	25 - 33%
Motor vehicles	12.5%

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the profit and loss.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2019

## 1. Statement of significant accounting policies (continued)

### c. Financial Instruments

#### (i) Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

#### (ii) Classification and subsequent measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price, all financial assets are initially measured at fair value, adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- amortised cost
- fair value through profit or loss (FVPL)
- equity instruments at fair value through other comprehensive income (FVOCI)

Classifications are determined by both:

- The entities business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

#### *Financial assets at amortised cost*

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as long-term deposits that were previously classified as held-to-maturity under AASB 139.

#### *Financial assets at fair value through profit or loss (FVPL)*

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, of which the Group has none.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2019

## 1. Statement of significant accounting policies (continued)

### c. Financial Instruments (continued)

#### (ii) Classification and subsequent measurement of financial assets (continued)

##### *Impairment of Financial assets*

AASB 9's impairment requirements use more forward looking information to recognise expected credit losses - the 'expected credit losses (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

##### *Trade and other receivables*

The Company makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assess impairment of trade receivables on a collective basis as they possess credit risk characteristics based on the days past due.

##### *Classification and measurement of financial liabilities*

The Company's financial liabilities include borrowings and trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2019

## 1. Statement of significant accounting policies (continued)

### d. Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

No liability is recognised if an outflow of economic resources as a result of present obligation is not probable. Such situations are disclosed as contingent liabilities, unless the outflow of resources is remote in which case no liability is recognised.

### e. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

### f. Revenue

#### Policy applicable from 1 July 2018

Revenue from contracts with customers is recognised based on the satisfaction of performance obligations at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group utilises a five-step approach to revenue recognition which requires the Group to identify contracts and performance obligations, determine the transaction price, allocate the transaction price to each performance obligation and recognise revenue as each performance obligation is satisfied.

The Group exercises judgement, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with its customers.

The Group has two main revenue streams:

#### *Licence revenue*

Access to, and use of, the Platform is granted to customers via a subscription hosting fee. Licence fees are accounted for as a single performance obligation. The performance obligation is fulfilled over time the customer simultaneously receives and consumes the benefit of accessing the software. Customers are typically invoiced yearly in advance, and consideration is payable when invoiced. Revenue is recognised evenly throughout the period of the subscription.

#### *Configuration and implementation revenue*

Customers pay a fee to configure and implement the software within the business. These services are separately identifiable from other promises within the contract (such as licence fees) and are accounted for as a single performance obligation.

Revenue is recognised over time as services are delivered, recognition is determined based on the effort expended relative to the effort to complete the service.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2019

## 1. Statement of significant accounting policies (continued)

### f. Revenue (continued)

#### Policy applicable from 1 July 2018 (continued)

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Group satisfied a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

#### Policy applicable to 30 June 2018

Subscription revenue is recognised on a straight line basis over the period of the subscription.

Contract revenue is allocated to the various performance obligations under the contract and is recognised when the requirements of each of the performance obligations have been met

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

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

### g. Borrowings costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

### h. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

### i. Foreign currency transactions and balances

The consolidated financial statements are presented in Australian Dollars (\$AUD), which is also the functional currency of the Parent Company.

Foreign currency transactions are translated into the functional currency of the respective Group Entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the date of the transaction), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2019

## 1. Statement of significant accounting policies (continued)

### i. Foreign currency transactions and balances (continued)

#### *Foreign operations*

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the \$AUD are translated into \$AUD upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into Australian-Dollars (\$AUD) at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into \$AUD at the closing rate. Income and expenses have been translated into \$AUD at the average rate over the reporting period. Exchange differences are charged / credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal.

### j. Intangible assets

#### **Research and development**

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources; and intent to complete the development and its costs can be measured reliably.

All intangible assets, including internally developed software, are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their finite life of not longer than 3 years. Residual values and useful lives are reviewed at each reporting date.

### k. Employee benefits

#### **Short-term employee benefits**

Short-term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. Examples of such benefits include wages and salaries, non-monetary benefits and accumulating sick leave. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

#### **Other long-term employee benefits**

The Group's liabilities for annual leave and long service leave are included in other long-term benefits as they are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are measured at the present value of the expected future payments to be made to employees. The expected future payments incorporate anticipated future wage and salary levels, experience of employee departures and periods of service, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the timing of the estimated future cash outflows. Any re-measurements arising from experience adjustments and changes in assumptions are recognised in profit or loss in the periods in which the changes occur.

The Group presents employee benefit obligations as current liabilities in the statement of financial position if the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period, irrespective of when the actual settlement is expected to take place.



# Notes to the Consolidated Financial Statements

for the year ended 30 June 2019

## 1. Statement of significant accounting policies (continued)

### 1. Leased assets

#### Policy applicable from 1 July 2018

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payment made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably expected not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'borrowings' in the statement of financial position.

#### Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2019

## 1. Statement of significant accounting policies (continued)

### l. Leased assets (continued)

#### Policy applicable up to 30 June 2018

The Group classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

### m. Equity and reserves

Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits.

The foreign currency translation reserve comprises differences arising on the translation of financial statements of the Group's foreign entities into Australian Dollars.

Retained earnings include all current and prior period retained profits.

### n. Key Estimates and judgements

When preparing the financial statements management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below.

### Useful lives of depreciable assets and intangible assets

Management reviews the useful lives of depreciable assets including intangible assets at each reporting date, based on the expected utility of the assets to the Group. Actual results, however, may vary due to technical obsolescence, particularly relating to software and IT equipment.

### Contract assets

Included within contract assets are the anticipated revenue amounts under non-cancellable contracts for which the service period has not yet been completed and revenue has not yet been recognised, with a corresponding liability recorded as contract liability.

### o. New and Amended Accounting Policies Adopted

The Group has adopted all of the new, revised or amended Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period. Apart from the changes in accounting policy, there has been no material impact on the financial statements by their adoption. The only new, revised or amended Accounting Standard or Interpretation that is not yet mandatory that has been early adopted is AASB 16 Leases.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2019

## 1. Statement of significant accounting policies (continued)

### o. New and Amended Accounting Policies Adopted (continued)

#### AASB 9 Financial Instruments

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 Financial Instruments from 1 July 2018 resulted in the following changes to accounting policies.

#### Classification and Measurement

On 1 July 2018, the Group's management has assessed which business units apply to the financial assets by the Group and has classified its financial instruments into the appropriate AASB 9 categories. There were no changes to the classification and measurement of financial assets.

#### Impairment of Financial Assets

Trade and other receivables are the only financial asset under AASB 9's expected credit loss model. There was no material impairment loss identified. The Group has performed an assessment on expected credit losses using the simplified approach for trade receivables.

Cash and cash equivalents are also subject to the impairment requirements of AASB 9.

There was no material impairment loss identified for these types of assets.

#### AASB 15 Revenue from Contracts with Customers

AASB 15 supersedes AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers.

Under AASB 15 revenue is apportioned to individual performance obligations within customer contracts based on their relative stand-alone selling price. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. Based on certain criteria, revenue is then recognised either over time or at a point in time as these performance obligations are satisfied. The standard also requires the capitalisation of incremental costs of obtaining a contract, and costs directly related to fulfilling a contract, where these costs are expected to be recovered.

The application of AASB 15 did not have any impact on the financial position and/or financial performance of the Group and the cumulative effect of adjustments recognised in equity under the modified retrospective approach is nil.

#### AASB 16 Leases

The group has adopted AASB 16 Leases this year. The standard replaces AASB 17 'Leases' and for the lessees eliminates the classifications of operating leases and finance leases. Except for short term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to the expenses under AASB 17. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in the profit and loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financial activities.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2019

## 2. Revenue

	Note	2019 \$	2018 \$
Licence revenue		2,679,160	2,275,605
Configuration and implementation revenue		333,711	141,209
		<u>3,012,871</u>	<u>2,416,814</u>

## 3. Profit before income tax

Profit before income tax has been determined after:

Minimum lease repayments recognised as an operating lease expense		<u>136,080</u>	136,080
Depreciation on property, plant and equipment		42,522	36,998
Depreciation on right-of-use assets		20,315	-
Amortisation		<u>398,012</u>	<u>304,230</u>
		<u>460,849</u>	<u>341,228</u>
Interest on lease liabilities		<u>3,060</u>	-
Research and development costs		<u>1,018,640</u>	<u>464,431</u>

## 4. Income tax expense

Income tax expense		-	-
		<u>-</u>	<u>-</u>

The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:

Prima facie tax payable on profit before income tax at 27.5% (2018: 27.5%)	(1,455,571)	(1,155,039)
Add tax effect of:		
• Non-deductible expenses	1,154,591	498,428
• Timing differences	63,108	357,813
• Tax losses carried forward (unrecognised)	237,872	298,798

Income tax expense/(benefit) attributable to profit from ordinary activities	<u>-</u>	<u>-</u>
--	----------	----------

The applicable weighted average effective tax rates are as follows: 0% 0%

The Group holds unrecognised carried forward tax losses of \$12,366,200 (2018: \$8,294,013).

## 5. Cash and cash equivalents

Cash at bank	628,738	6,023,723
	<u>628,738</u>	<u>6,023,723</u>

Included in cash is a fully cash backed Bank Guarantee of \$37,422 (2018: \$37,422)

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2019

	Note	2019 \$	2018 \$
<b>6. Trade and other receivables</b>			
<b>Current</b>			
Trade receivables		148,483	41,127
Accrued revenue		-	186,728
<b>Total receivables</b>		<b>148,483</b>	<b>227,855</b>
<b>Contract asset</b>		<b>189,722</b>	<b>-</b>
<b>7. Other current assets</b>			
<b>Current</b>			
Prepayments		105,860	87,776
R&D refund receivable		443,108	336,953
Other assets		57,699	33,260
		<b>606,667</b>	<b>457,989</b>
<b>8. Plant and equipment</b>			
Office equipment at cost		73,452	24,647
Less accumulated depreciation		(5,199)	(19,915)
		<b>68,253</b>	<b>4,732</b>
Right of use asset		365,662	-
Less accumulated depreciation		(20,315)	-
		<b>345,347</b>	<b>-</b>
Computer equipment at cost		159,373	159,929
Less accumulated depreciation		(73,711)	(80,852)
		<b>85,662</b>	<b>79,077</b>
Motor vehicles at cost		27,237	27,237
Less accumulated depreciation		(14,927)	(11,523)
		<b>12,310</b>	<b>15,714</b>
<b>Total plant and equipment</b>		<b>511,572</b>	<b>99,523</b>
<b>Movement in Carrying Amounts</b>			
Plant and Equipment			
Balance at 1 July		99,523	59,970
Additions		457,876	79,583
Disposals		(3,305)	(3,031)
Depreciation & amortisation expense		(42,522)	(36,999)
<b>Balance at 30 June</b>		<b>511,572</b>	<b>99,523</b>

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2019

	Note	2019 \$	2018 \$
<b>9. Intangible assets</b>			
Technology platform development at cost		1,810,795	1,316,713
Accumulated amortisation		(1,237,488)	(839,475)
		<u>573,307</u>	<u>477,238</u>
<b>Movement in Carrying Amounts</b>			
Balance at 1 July		477,238	367,689
Additions		494,081	413,779
Disposals		-	-
Amortisation expense		(398,012)	(304,230)
Balance at 30 June		<u>573,307</u>	<u>477,238</u>
<b>10. Trade and other payables</b>			
<b>Current</b>			
Trade payables		166,279	285,424
GST payable		45,225	29,127
Sundry payables and accrued expenses		869,042	613,248
		<u>1,080,546</u>	<u>927,799</u>
<b>11. Borrowings</b>			
<b>Current</b>			
Lease liability		140,972	7,371
		<u>140,972</u>	<u>7,371</u>
<b>Non-current</b>			
Lease liability		209,168	4,098
		<u>209,168</u>	<u>4,098</u>
Lease liabilities are secured over the assets to which they relate. \$400,015 relates to the property lease for the Hendra office recognised as a right of use asset which is on a three year term.			
<b>12. Contract Liability</b>			
Contract Liability		1,328,667	1,204,629
		<u>1,328,667</u>	<u>1,204,629</u>

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2019

	Note	2019 \$	2018 \$
--	------	------------	------------

## 13. Provisions

### Current

Employee benefits		233,880	210,482
		<u>233,880</u>	<u>210,482</u>

### Non-current

Employee benefits		143,297	93,842
		<u>143,297</u>	<u>93,842</u>

## 14. Issued capital

300,753 (2018: 300,753) fully paid ordinary shares		17,939,052	17,916,850
Capital raising costs		<u>(1,174,411)</u>	<u>(1,140,758)</u>
		<u>16,764,641</u>	<u>16,776,092</u>

### a. Share capital

The share capital of Miner Group Ltd consists only of fully paid ordinary shares; the shares do not have a par value.

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

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

	2019 No.	2019 \$
Beginning of the year	300,753	17,916,850
Share issue	-	22,202
Closing equity	<u>300,753</u>	<u>17,939,052</u>

### b. Capital management

Management controls the capital of the company in order to maintain a good debt to equity ratio, provide shareholders with adequate returns and ensure that the company can fund its operations and continue as a going concern.

The company's debt and capital includes ordinary shares and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

	Note	2019 \$	2018 \$
--	------	------------	------------

## 15. Cash flow information

### a. Reconciliation of Cash

Cash at bank	5	<u>628,738</u>	<u>6,023,723</u>
		<u>628,738</u>	<u>6,023,723</u>

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2019

## 15. Cash flow information (continued)

### b. Reconciliation of Cash Flow from

#### Operations with Profit after Income Tax

Note	2019 \$	2018 \$
Loss after income tax	(5,292,984)	(4,200,141)
Non-cash flows in profit		
- Depreciation and amortisation	460,849	341,228
- Gain/ loss on asset disposal	(5,104)	-
- FX impact of translation of foreign subsidiary	(11,713)	18,278
Changes in assets and liabilities:		
- (Increase)/decrease in receivables	(110,350)	137,896
- (Increase)/decrease in other assets	(148,678)	274,609
- Increase/(decrease) in creditors and accruals	152,747	436,920
- Increase/(decrease) in provisions	72,853	123,147
- Increase/(decrease) in deferred revenue	124,038	172,421
	<b>(4,758,342)</b>	<b>(2,695,642)</b>

## 16. Employee Benefits Expense

Salaries and wages	5,444,455	4,148,816
Directors Fees	50,229	45,662
Capitalisation of salaries & wages	(871,135)	(732,170)
Superannuation contributions	520,424	398,578
Payroll tax	284,773	209,312
Employee entitlement accrual	129,236	96,868
	<b>5,557,982</b>	<b>4,167,066</b>

### Individual KMP Disclosure

#### Directors

David Williams - Non Executive Director and Chairman  
George Rolleston - Non Executive Director  
Michael Trusler - Executive Director  
Mike Davis - Executive Director

#### Other KMP

James Frayne - Financial Controller

#### Term as KMP

Full Financial Year  
Full Financial Year  
Full Financial Year  
Full Financial Year

#### Term as KMP

Full Financial Year

### Total KMP Compensation

Short Term Employee Benefits	514,843	460,526
Post Employment Benefits	-	-
Other Long Term Benefits	-	-
Termination Benefits	-	-
Share Based Payment	-	-
	<b>514,843</b>	<b>460,526</b>



# Notes to the Consolidated Financial Statements

for the year ended 30 June 2019

## 17. Controlled Entities

	Parent Entity's Beneficial Interest	
	2019 %	2018 %
Plant Miner Pty Ltd (Australia)	100	100
Miner Group Services (Australia)	100	100
Miner Group R&D Pty Ltd (Australia)	100	100
Felix Software Pty Ltd (Australia)	100	100
Felix NZ Limited (New Zealand)	100	100
Miner Group I.P. Pty Ltd (Australia)	100	100

## 18. Parent entity information

Information relating to Miner Group Limited (the Parent Company):

Current assets	16,534,390	6,150,160
<b>Total assets</b>	<b>16,535,775</b>	<b>6,150,160</b>
Current liabilities	1,502	106,038
<b>Total liabilities</b>	<b>1,502</b>	<b>106,038</b>
Issued capital	16,764,641	16,776,092
Retained earnings	(230,368)	(344,159)
<b>Total equity</b>	<b>16,534,273</b>	<b>16,431,933</b>
Profit for the year	113,791	(102,690)
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>113,791</b>	<b>(102,690)</b>

The Parent Company does not have any capital commitments or contingent liabilities at the year end.

## 19. Events subsequent to reporting date

Subsequent to year end the group has issued additional share capital, raising \$5,041,831 via a convertible note.

Other than the capital raise noted above, no significant subsequent events have occurred since the reporting date which would make these financial statements for the year materially inaccurate or misleading, nor are any matters pending which might have such an effect.

## 20. Commitments

	2019	2018
<b>Lease commitments</b>		
Payable - minimum lease payments		
- not later than 12 months	140,972	116,377
- between 12 months and five years	263,141	-
- greater than five years	-	-
	<b>404,113</b>	<b>116,377</b>

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2019

## 21. Contingent liabilities

There were no contingent liabilities at reporting date.

## 22. Auditor's Remuneration

Remuneration of the auditor, Grant Thornton Australia Ltd.  
Auditing or reviewing the financial report

2019	2018
27,000	19,350
<u>27,000</u>	<u>19,350</u>

## 23. Related Party Transactions

There were no related party transactions during the period other than as disclosed within Note 16.

## 24. Company information

The registered office of the company is:  
Unit 4  
34 Navigator Place  
HENDRA QLD 4011

## Directors' Declaration

The directors have determined that the company is a reporting entity, and that this general purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 3 to 26 in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards as described in Note 1 to the financial statements and Corporations Regulations 2001; and
  - (b) give a true and fair view of the company's financial position as at 30 June 2019 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.
2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



---

Director

Dated this 31st day of October 2019

# Independent Auditor's Report

## To the Members of Miner Group Limited

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Miner Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated 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:

- a giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards – Reduced Disclosure Requirements 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 *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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material uncertainty related to going concern

We draw attention to Note 1 Going Concern, to the financial report, which indicates the Group incurred a net loss of \$5,304,697 during the year ended 30 June 2019, incurred negative cash flows from operating activities of \$4,758,342 but has received additional funds of \$5,041,831 post year end. As stated in Note 1 Going Concern, these events or conditions, along

with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion has not been modified in respect of this matter.

#### **Information other than the financial report and auditor's report thereon**

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of the Directors' for the financial report**

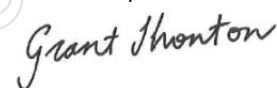
The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Act 2001*. The Directors' responsibility also includes such internal control 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). This description forms part of our auditor's report.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



M S Bell

Partner – Audit & Assurance

Brisbane, 31<sup>st</sup> October 2019



General Purpose Financial Report

**Felix Group Holdings Ltd  
(previously Miner Group Limited)  
and controlled entities**

ABN 65 159 858 509

30 June 2020

# Contents

	Page
Director's Report	3
Auditors Independence Declaration	6
Consolidated Statement of Profit or Loss & Other Comprehensive Income	7
Consolidated Statement of Financial Position	8
Consolidated Statement of Changes in Equity	9
Consolidated Statement of Cash Flows	10
Notes to the Consolidated Financial Statements	11
Directors' Declaration	32
Independent Audit Report	33



Felix Group Holdings Ltd and controlled entities

ABN 65 159 858 509

## Directors' Report

The directors present their report, together with the financial statements, on the consolidated group (referred to hereafter as the consolidated group') consisting of Felix Group Holdings Limited (referred to hereafter as 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2020.

### Directors

The following persons were directors of the group during the whole of the financial year and up to the date of this report, unless otherwise stated:

David Williams - Non Executive Director and Chairman

John Grant - Non Executive Director and Chairman (appointed 11/12/2019, resigned 9/3/2020)

George Rolleston - Non Executive Director

Michael Trusler - Non Executive Director

Mike Davis - Executive Director

### Principal activities

The principal activities of the group during the financial year was the development and sale of the Felix platform.

### Review of operations

The group made an operating loss for the financial year after providing for income tax amounting to \$7,211,969 (2019: loss of \$5,304,697).

A review of the operations of the group during the financial year reflects that there has been continued investment in the Felix technology and increased traction in sales. Sales increased by 23% during the year to \$3,696,307.

### Significant changes in the state of affairs

No significant change in the nature of the Group's activities occurred during the year.

The group's members passed a special resolution at the AGM on the 11th of December 2019 to change the name of the head entity, Miner Group Limited to Felix Group Holdings Limited. The application was processed by ASIC on the 13th of February 2020.

The group raised \$5,041,831 of capital via a convertible note in September 2019 (Series A). The group raised an additional \$2,860,000 of funds via a secondary convertible note in April 2020 (Series B). The terms of the notes provide the bearer an accrued interest rate of 10% per annum as well as a discount on IPO or sale of 30% (Series A) and 40% (Series B). The maturity date is 31 August 2021. If no conversion event has occurred by the maturity date the noteholder has the ability to convert or redeem the notes for 125% (Series A) or 135% (Series B) of the principal money in addition to the note interest. The April 2020 convertible note is secured over all the assets of the Group. Investors in the April 2020 convertible note round received nil exercise price options over half of the founders 33.25% equity stake in the group.

In March 2020, the World Health Organisation declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. The spread of COVID-19 has caused significant volatility in Australian and international markets.

There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the Australian and international economies. As such, there is likely to be a negative impact to the Company's operations, however, this can not be reliably measured at this time.

The Federal Government released a range of stimulus measures in 2020 in response to the COVID-19 pandemic. The Group received \$430,500 of income in the JobKeeper program & \$50,000 under the PAYG Boost program.

## **Felix Group Holdings Ltd and controlled entities**

**ABN 65 159 858 509**

In response to COVID-19 the business significantly re-structured its cost base by way of redundancies in March 2020. The redundancies, across Australia, Krakow and Manila, resulted in the annualised wage bill reducing from \$9.9million per annum to \$5.28million per annum. Additionally, the remaining staff have agreed to a 20% base salary reduction until 30 June 2021.

Michael Trusler resigned from his position of co-CEO on the 30th of March 2020. He will continue as a non-executive director, Mike Davis will continue as the sole CEO.

### **Matters subsequent to the end of the financial year**

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially indifferent for the consolidated entity up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

The group is currently positioning itself for a proposed IPO. A corporate advisor has been engaged, a due diligence committee has formed and discussions with both ASIC and the ASX have commenced. The probability of achieving a successful listing is unknown at this stage.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

### **Environmental regulation**

The group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

### **Dividends**

No dividends were paid or declared for payment since the start of the financial year.

### **Shares under option**

No options over issued shares in the group were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Investors in the April 2020 convertible note raise received nil exercise price options over half of the founders 33.25% 'equity stake in the group. At 30 June 2020, 17,755 of the 49,993 options were unexercised.

### **Indemnity and insurance of 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.

**Felix Group Holdings Ltd and controlled entities**

**ABN 65 159 858 509**

**Proceedings on behalf of the company**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

**Auditor's Independence Declaration**

A copy of the Auditor's Independence Declaration as required under Section 307c of the Corporations Act 2001 is set out on page 6.

**Auditor**

Accounting Firm, Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the directors



---

Mike Davis  
Director/ CEO

Dated this 6th day of October 2020

## Auditor's Independence Declaration

### To the Directors of Felix Group Holdings Limited (previously Miner Group Limited)

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Felix Group Holdings Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



M S Bell  
Partner – Audit & Assurance

Brisbane, 6 October 2020

Grant Thornton Audit Pty Ltd ACN 130 913 594  
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

[www.grantthornton.com.au](http://www.grantthornton.com.au)

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation.

# Consolidated Statement of Profit or Loss & Other Comprehensive Income

for the year ended 30 June 2020

	Notes	2020 \$	2019 \$
Sales revenue	2	3,696,307	3,012,871
Other income	3	636,217	134,700
Employee benefits	4	(6,340,064)	(5,557,982)
Depreciation and amortisation expenses		(751,085)	(460,849)
Finance costs	6	(2,086,232)	(3,061)
Consultants fees		(1,401,262)	(1,026,086)
Net change in fair value of financial liabilities at fair value through profit or loss		468,275	-
Other expenses from ordinary activities	5	(1,439,499)	(1,392,577)
<b>Profit/(loss) before income tax</b>	6	<b>(7,217,343)</b>	<b>(5,292,984)</b>
Income tax (expense) /benefit	7	-	-
<b>Profit/(loss) attributable to members of the entity</b>		<b>(7,217,343)</b>	<b>(5,292,984)</b>
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign controlled entities		5,374	(11,713)
Other comprehensive income/(expense), net of income tax		5,374	(11,713)
<b>Total comprehensive income/(loss) attributable to members of the entity</b>		<b>(7,211,969)</b>	<b>(5,304,697)</b>
<b>Earnings per share for profit attributable to the members of the entity</b>			
Basic earnings per share	21	(24.00)	(17.60)
Diluted earnings per share	21	(24.00)	(17.60)

This statement should be read in conjunction with the notes to the financial statements.

# Consolidated Statement of Financial Position

as at 30 June 2020

	Notes	2020 \$	2019 \$
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents	8	1,017,911	628,738
Trade and other receivables		192,426	148,483
Contract assets		-	189,722
Other current assets	9	783,170	606,667
<b>Total Current Assets</b>		<b>1,993,507</b>	<b>1,573,610</b>
<b>Non-Current</b>			
Property, plant and equipment	10	133,295	166,225
Right of use assets	11	309,356	345,347
Intangible assets	12	993,303	573,307
<b>Total Non-Current Assets</b>		<b>1,435,954</b>	<b>1,084,879</b>
<b>Total Assets</b>		<b>3,429,461</b>	<b>2,658,489</b>
<b>Liabilities</b>			
<b>Current</b>			
Trade and other payables	13	455,416	1,080,546
Lease liability	14	165,151	140,972
Contract liability	15	1,087,267	1,328,667
Borrowings	16	4,560,390	-
Derivative financial instruments	17	4,221,598	-
Short term provisions	18	273,202	233,880
<b>Total Current Liabilities</b>		<b>10,763,024</b>	<b>2,784,065</b>
<b>Non-Current</b>			
Lease liability	14	155,215	209,168
Long term provisions	18	201,232	143,297
<b>Total Non-Current Liabilities</b>		<b>356,447</b>	<b>352,465</b>
<b>Total Liabilities</b>		<b>11,119,471</b>	<b>3,136,530</b>
<b>Net Assets</b>		<b>(7,690,010)</b>	<b>(478,041)</b>
<b>Equity</b>			
Issued capital	19	16,764,641	16,764,641
Retained earnings/(accumulated losses)		(24,453,418)	(17,236,075)
Reserves		(1,233)	(6,607)
<b>Total Equity</b>		<b>(7,690,010)</b>	<b>(478,041)</b>

This statement should be read in conjunction with the notes to the financial statements.

## Consolidated Statement of Changes in Equity

for the year ended 30 June 2020

Notes	Share Capital Ordinary \$	Retained Earnings (Accumulated Losses) \$	Foreign Currency Reserve \$	Total \$
<b>Balance at 30 June 2018</b>	16,776,092	(11,943,091)	5,106	4,838,107
Total comprehensive income/(loss)	-	(5,292,984)	(11,713)	(5,304,697)
Contributions of equity	(11,451)	-	-	(11,451)
<b>Balance at 30 June 2019</b>	<b>16,764,641</b>	<b>(17,236,075)</b>	<b>(6,607)</b>	<b>(478,041)</b>
Total comprehensive income/(loss)	-	(7,217,343)	5,374	(7,211,969)
<b>Balance at 30 June 2020</b>	<b>16,764,641</b>	<b>(24,453,418)</b>	<b>(1,233)</b>	<b>(7,690,010)</b>

This statement should be read in conjunction with the notes to the financial statements.

# Consolidated Statement of Cash Flows

for the year ended 30 June 2020

	Note	2020 \$	2019 \$
<b>Cash Flow from Operating Activities</b>			
Receipts from customers		4,337,676	3,185,663
Payments to suppliers and employees		(10,640,571)	(8,010,239)
Interest received		4,294	69,295
Interest paid		(57,066)	(3,061)
<b>Net cash provided by/(used in) operating activities</b>	20	<b>(6,355,667)</b>	<b>(4,758,342)</b>
<b>Cash Flow from Investing Activities</b>			
Proceeds from sale of property, plant and equipment		-	8,410
Payment for plant and equipment		(141,250)	(478,192)
Payment for intangible assets		(985,968)	(494,081)
<b>Net cash provided by/(used in) investing activities</b>		<b>(1,127,218)</b>	<b>(963,863)</b>
<b>Cash Flow from Financing Activities</b>			
Proceeds of convertible notes issued		7,901,832	-
Proceeds/ (repayment) from of borrowings		(29,774)	338,671
Payment of costs relating to share issue		-	(11,451)
<b>Net cash provided by/(used in) financing activities</b>		<b>7,872,058</b>	<b>327,220</b>
Net increase/(decrease) in cash held		389,173	(5,394,985)
Cash at beginning of year		628,738	6,023,723
<b>Cash at end of year</b>	20	<b>1,017,911</b>	<b>628,738</b>

This statement should be read in conjunction with the notes to the financial statements.



# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## 1. Statement of significant accounting policies

The financial report includes the consolidated financial statements and notes of Felix Group Holdings Limited ("Company") and its controlled entities ("Group").

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards - Reduced Disclosure Requirements and other authoritative pronouncements of the Australian Accounting Standards Board. The Group is a for-profit entity for the purpose of preparing the financial statements. Material accounting policies adopted in the presentation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Apart from cash flow information, the financial statements have been prepared under an accrual accounting method and are based on historical cost modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

### Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Felix Group Holdings Limited ('company' or 'parent entity') as at 30 June 2020 and the results of all subsidiaries for the year then ended. Felix Group Holdings Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'. All subsidiaries have a reporting date of 30 June.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity 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 consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## 1. Statement of significant accounting policies (continued)

### Going concern

For the year ending 30 June 2020, the group has incurred a loss before income tax of \$7,217,343 (2019: \$5,292,984) and had negative cash flows from operations of \$6,355,667 (2019: \$4,758,342) for the period. As at 30 June 2020, the group has a deficiency of net assets of \$7,690,010 and a net current asset deficiency of \$8,769,517. These events or conditions indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

The group has significantly invested in the platform throughout its history. The sales revenue increased 23% from the previous year. Management anticipates that the proceeding twelve months will likely result in continued increases in revenue from implementations and licences. Management has also re-structured the cost base of the entity throughout the year to extend the cash balance. Current forecasts indicate additional capital will be required during the 2021 financial year.

As such the board and management are actively pursuing an IPO to raise funds. The group has a history of successfully raising funds. The Chairman, David Williams, has extensive experience dealing with ASX listed companies and equity capital markets. *A successful ASX listing will provide the company with significant cash reserves and trigger a conversion event for the convertible notes issued in the year, removing the entities obligation to repay the principle and interest in cash at the expiry date, 31 August 2021.*

The group is currently positioning itself for a proposed IPO. A corporate advisor has been engaged, a due diligence committee has formed and discussions with both ASIC and the ASX have commenced. The probability of achieving a successful listing is unknown at this stage.

The report has been prepared on a going concern basis as it is anticipated that this capital will be raised.

### Accounting policies

#### a. Income tax

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, the Australian Taxation Office (ATO) and other fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Group's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## 1. Statement of significant accounting policies (continued)

### b. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

#### Plant and equipment

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

#### Depreciation

The depreciable amount of all fixed assets are depreciated over their useful lives commencing from the time the asset is held ready for use.

The depreciation rates and method used for each class of depreciable assets are:

Office equipment	10 - 33%
Computer equipment	25 - 33%
Motor vehicles	12.5%

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the profit and loss.

### c. Financial Instruments

#### (i) Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

#### (ii) Classification and subsequent measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price, all financial assets are initially measured at fair value, adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- amortised cost
- fair value through profit or loss (FVPL)
- equity instruments at fair value through other comprehensive income (FVOCI)

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## 1. Statement of significant accounting policies (continued)

### c. Financial Instruments (continued)

#### (ii) Classification and subsequent measurement of financial assets (continued)

Classifications are determined by both:

- The entities business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

#### *Financial assets at amortised cost*

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as long-term deposits that were previously classified as held-to-maturity under AASB 139.

#### *Financial assets at fair value through profit or loss (FVPL)*

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, of which the Group has none.

#### *Impairment of Financial assets*

AASB 9's impairment requirements use more forward looking information to recognise expected credit losses - the 'expected credit losses (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## 1. Statement of significant accounting policies (continued)

### c. Financial Instruments (continued)

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

#### *Trade and other receivables*

The Company makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assess impairment of trade receivables on a collective basis as they possess credit risk characteristics based on the days past due.

#### *Classification and measurement of financial liabilities*

The Company's financial liabilities include borrowings and trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

The subsequent measurement of the convertible notes issued during the year have been accounted for as follows:

The underlying debt contract is measured at amortised cost with the embedded derivative liability measured at fair value through profit and loss

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

### d. Convertible notes

The Group issues convertible notes during the current financial year which contain embedded derivative instruments. In particular the convertible notes contained an option for which noteholders may in certain scenarios elect to convert the notes held into equity or redeem for cash at a premium. Further details in relation to the terms of the options are included in Note 16.

The embedded option is not considered clearly and closely related to the underlying debt contract and therefore results in an embedded derivative that must be accounted for separately from the host debt. Accordingly the Group has recorded both a financial liability and a derivative financial liability in relation to these instruments

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## 1. Statement of significant accounting policies (continued)

### d. Convertible notes (continued)

#### *Financial liability*

The financial liability has been recorded initially at fair value, calculated as the residual amount after separating the deemed fair value of the embedded derivative from the fair value of the combined instrument

The liability is subsequently recognised on an amortised cost basis until extinguished on conversion or maturity, with the corresponding interest expense recorded in profit or loss.

Related costs have been deducted from the carrying value of the liability upon initial recognition and subsequently included in the amortised cost calculation.

#### *Derivative financial liability*

The derivative financial liability has been recorded initially at fair value as determined through reference to a valuation model. Key estimates and assumptions used in determining this fair value have been outlined in Note 1.p.

The derivative liability is subsequently measured at fair value at each reporting date, with gains and losses arising from a change in value recognised in profit and loss, until extinguishment.

### e. Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

No liability is recognised if an outflow of economic resources as a result of present obligation is not probable. Such situations are disclosed as contingent liabilities, unless the outflow of resources is remote in which case no liability is recognised.

### f. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

### g. Revenue

Revenue from contracts with customers is recognised based on the satisfaction of performance obligations at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group utilises a five-step approach to revenue recognition which requires the Group to identify contracts and performance obligations, determine the transaction price, allocate the transaction price to each performance obligation and recognise revenue as each performance obligation is satisfied.

The Group exercises judgement, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with its customers.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## 1. Statement of significant accounting policies (continued)

### g. Revenue (continued)

The Group has two main revenue streams:

#### *Licence revenue*

Access to, and use of, the Platform is granted to customers via a subscription hosting fee. Licence fees are accounted for as a single performance obligation. The performance obligation is fulfilled over time the customer simultaneously receives and consumes the benefit of accessing the software. Customers are typically invoiced in advance, and consideration is payable when invoiced. Revenue is recognised evenly throughout the period of the subscription.

#### *Configuration and implementation revenue*

Customers pay a fee to configure and implement the software within the business. These services are linked to other promises within the contract (such as licence fees) and therefore accounted for as a single joint performance obligation.

Revenue is recognised over time as services are delivered

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Group satisfied a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

### h. Government Grants

Government grants are recognised at fair value where there is a reasonable certainty that the grant will be received upon meeting all grant terms and conditions. Grants related to assets are deducted from the carrying amount of the assets presented in the statement of financial position. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

#### *JobKeeper Assistance*

The Group recognises government grants relating to JobKeeper as income, within profit or loss over the period necessary to match them with the costs that they are intended to compensate.

#### *Research and Development Tax Incentive*

The Group recognises government grants related to the research and development tax incentive (R&D) as a other income over the period necessary to match with the costs that they are intended to compensate. R&D grants received in relation to costs capitalised as part of intangible asset additions are recognised as a deduction from the carrying amount of the relevant qualifying assets, in accordance with the accounting policy disclosed above. A government grant receivable in respect of the incentive is recognised when there is reasonable certainty that the grant will be received upon meeting the terms and conditions associated with the grant.

### i. Borrowings costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

### j. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## 1. Statement of significant accounting policies (continued)

### k. Foreign currency transactions and balances

The consolidated financial statements are presented in Australian Dollars (\$AUD), which is also the functional currency of the Parent Company.

Foreign currency transactions are translated into the functional currency of the respective Group Entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the date of the transaction), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

#### *Foreign operations*

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the \$AUD are translated into \$AUD upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into Australian-Dollars (\$AUD) at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into \$AUD at the closing rate. Income and expenses have been translated into \$AUD at the average rate over the reporting period. Exchange differences are charged / credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal.

### l. Intangible assets

#### **Research and development**

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources; and intent to complete the development and its costs can be measured reliably.

All intangible assets, including internally developed software, are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their finite life of not longer than 3 years. Residual values and useful lives are reviewed at each reporting date.

### m. Employee benefits

#### **Short-term employee benefits**

Short-term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. Examples of such benefits include wages and salaries, non-monetary benefits and accumulating sick leave. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled.



# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## 1. Statement of significant accounting policies (continued)

### m. Employee benefits (continued)

#### Other long-term employee benefits

The Group's liabilities for annual leave and long service leave are included in other long-term benefits as they are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are measured at the present value of the expected future payments to be made to employees. The expected future payments incorporate anticipated future wage and salary levels, experience of employee departures and periods of service, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the timing of the estimated future cash outflows. Any re-measurements arising from experience adjustments and changes in assumptions are recognised in profit or loss in the periods in which the changes occur.

The Group presents employee benefit obligations as current liabilities in the statement of financial position if the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period, irrespective of when the actual settlement is expected to take place.

### n. Leased assets

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payment made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably expected not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## 1. Statement of significant accounting policies (continued)

### n. Leased assets (continued)

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'borrowings' in the statement of financial position.

#### *Short-term leases and leases of low-value assets*

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### o. Equity and reserves

Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits.

The foreign currency translation reserve comprises differences arising on the translation of financial statements of the Group's foreign entities into Australian Dollars.

Retained earnings include all current and prior period retained profits.

### p. Key Estimates and judgements

When preparing the financial statements management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below.

#### **Coronavirus (COVID-19) pandemic**

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic

#### **Useful lives of depreciable assets and intangible assets**

Management reviews the useful lives of depreciable assets including intangible assets at each reporting date, based on the expected utility of the assets to the Group. Actual results, however, may vary due to technical obsolescence, particularly relating to software and IT equipment.

#### **Impairment of assets**

The consolidated entity assesses impairment of assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined and a corresponding impairment expense is recorded.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## 1. Statement of significant accounting policies (continued)

### p. Key Estimates and judgements (continued)

#### **Convertible Notes**

The consolidated entity measures the value of financial instruments such as convertible notes issued by reference to the fair value of the instruments at the date at which they are granted.

The embedded derivative is separated from its host contract on the basis of the stated terms of the option feature.

The initial carrying amount of the host instrument has been calculated as the residual amount after separating the embedded derivative.

Due to the difficulty in being able to reliably measure the fair value of the embedded derivative independently, the fair value of the derivative liability has been determined as the difference between the hybrid contract and the fair value of the underlying debt instrument, where the fair value of the debt instrument has been deemed to be the face value of the convertible notes plus accrued interest to date plus the additional premium payable on redemption of 25% (Series A) and 35% (Series B)

The fair value of the instrument has been determined by using a discounted cash flow (DCF) model to estimate the fair value of the Group in various scenarios and then application of a Monte Carlo simulation to consider the difference in value between the total payback of the convertible notes and the liability component to determine the fair value of the derivative in the various scenarios, taking into account the terms and conditions upon which the instruments were granted. The actual future value of the Group and therefore resulting value of the derivative may vary depending on actual results.

#### **Revenue from contracts with customers involving sale of goods**

When recognising subscription revenue, the key performance obligation of the consolidated entity is considered to be the timing of software access granted to the customer, as this is deemed to be the period of time that the customer obtains the benefits of access.

### q. New and Amended Accounting Policies Adopted

There were no new or amended policies adopted by the Group for the first time during the current financial year. The Group elected to early adopt AASB 16 Leases during the year ended 30 June 2019.

The Group has adopted all of the new, revised or amended Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period. Apart from the changes in accounting policy, there has been no material impact on the financial statements by their adoption.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

	Note	2020 \$	2019 \$
<b>2. Revenue</b>			
Licence, configuration and implementation revenue		3,696,307	3,012,871
		<u>3,696,307</u>	<u>3,012,871</u>
<b>3. Other Income</b>			
Government grants		480,500	-
Interest income		4,294	69,295
R&D income tax benefit		62,746	57,750
Other		88,677	7,655
		<u>636,217</u>	<u>134,700</u>
<b>4. Employee Benefits Expense</b>			
Salaries and wages		6,234,667	5,444,455
Directors Fees		66,838	50,229
Termination Payments		242,737	-
Capitalisation of salaries & wages		(1,253,537)	(871,135)
Superannuation contributions		594,454	520,424
Payroll tax		357,648	284,773
Employee entitlement accrual		97,257	129,236
		<u>6,340,064</u>	<u>5,557,982</u>
<b>5. Other Expenses from ordinary activities</b>			
Advertising & Marketing		298,309	340,126
Subscriptions		273,300	180,265
Other		634,899	585,884
Travel		207,933	286,302
Impairment of intangible assets		25,058	-
		<u>1,439,499</u>	<u>1,392,577</u>
<b>6. Profit before income tax</b>			
Profit before income tax has been determined after:			
Depreciation on property, plant and equipment		55,493	42,522
Depreciation on right-of-use assets		154,678	20,315
Amortisation		540,914	398,012
		<u>751,085</u>	<u>460,849</u>
Interest expense on convertible note liability		1,612,153	-
Finance costs allocated to derivative financial liability		417,013	-
Interest on lease liabilities		39,875	3,061
Other financing costs		17,191	-
		<u>2,086,232</u>	<u>3,061</u>
Research and development costs		<u>277,016</u>	<u>132,760</u>

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## 7. Income tax expense

	Note	2020 \$	2019 \$
Income tax expense		-	-
		-	-

The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:

Prima facie tax payable on profit before income tax at 27.5% (2019: 27.5%)	(1,984,769)	(1,455,571)
Add tax effect of:		
• Non-deductible expenses	2,532,912	1,154,591
• Timing differences	(548,143)	300,980

Income tax expense/(benefit) attributable to profit from ordinary activities	-	-
--	---	---

The applicable weighted average effective tax rates are as follows: 0% 0%

The Group holds unrecognised carried forward tax losses of \$17,609,033 (2019: \$12,366,200), which are subject to recognition criteria which may or may not be met.

## 8. Cash and cash equivalents

Cash at bank	1,017,911	628,738
	1,017,911	628,738

Included in cash is a fully cash backed Bank Guarantee of \$50,182 (2019: \$37,422)

## 9. Other current assets

Current		
Prepayments	85,315	105,860
R&D refund receivable	390,894	443,108
Other assets	306,961	57,699
	783,170	606,667

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

	Note	2020	2019
		\$	\$
<b>10. Plant and equipment</b>			
Office equipment at cost		73,452	73,452
Less: accumulated depreciation		(13,376)	(5,199)
		<u>60,076</u>	<u>68,253</u>
Computer equipment at cost		181,937	159,373
Less: accumulated depreciation		(117,614)	(73,711)
		<u>64,323</u>	<u>85,662</u>
Motor vehicles at cost		27,237	27,237
Less: accumulated depreciation		(18,341)	(14,927)
		<u>8,896</u>	<u>12,310</u>
<b>Total plant and equipment</b>		<u><b>133,295</b></u>	<u><b>166,225</b></u>
<b>Movement in Carrying Amounts</b>			
Plant and Equipment			
Balance at 1 July		166,225	99,523
Additions		22,564	92,214
Disposals		-	(3,305)
Depreciation & amortisation expense		(55,494)	(22,207)
<b>Balance at 30 June</b>		<u><b>133,295</b></u>	<u><b>166,225</b></u>
<b>11. Right of use assets</b>			
Right of use asset		484,349	365,662
Less: accumulated depreciation		(174,993)	(20,315)
		<u>309,356</u>	<u>345,347</u>
<b>12. Intangible assets</b>			
Technology platform development at cost		2,729,245	1,810,795
Less: accumulated amortisation and impairment		(1,735,942)	(1,237,488)
		<u>993,303</u>	<u>573,307</u>
<b>Movement in Carrying Amounts</b>			
Balance at 1 July		573,307	477,238
Additions		985,967	494,081
Impairment		(25,057)	-
Amortisation expense		(540,914)	(398,012)
<b>Balance at 30 June</b>		<u><b>993,303</b></u>	<u><b>573,307</b></u>
<b>13. Trade and other payables</b>			
<b>Current</b>			
Trade payables		77,106	166,279
GST payable		40,206	45,225
Sundry payables and accrued expenses		338,104	869,042
		<u>455,416</u>	<u>1,080,546</u>

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

<b>14. Leasing</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
		<b>\$</b>	<b>\$</b>
<b>Current</b>			
Lease liability		<b>165,151</b>	140,972
<b>Non-current</b>			
Lease liability		<b>155,215</b>	209,168
Total Lease Liability		<b>320,366</b>	350,140

During the period the Group entered into a new lease for Unit 3b, 34 Navigator Place, Hendra. This is the unit adjacent to the registered office of Unit 4, 34 Navigator Place, Hendra.

Future minimum lease payments at 30 June 2020 were as follows:

<b>Within one year</b>		
Lease Payments	<b>189,969</b>	136,874
Less: Future Finance Charges	<b>(17,497)</b>	(29,736)
Net Present Value	<b>172,472</b>	107,138
<b>One to five years</b>		
Lease Payments	<b>162,898</b>	263,141
Less: Future Finance Charges	<b>(15,004)</b>	(24,237)
Net Present Value	<b>147,894</b>	238,904
<b>Total</b>		
Lease Payments	<b>352,867</b>	400,015
Less: Future Finance Charges	<b>(32,501)</b>	(53,973)
Net Present Value	<b>320,366</b>	346,042

## 15. Contract Liability

Contract Liability	<b>1,087,267</b>	1,328,667
	<b>1,087,267</b>	1,328,667

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

<b>16. Borrowings</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
		\$	\$
<b>Current</b>			
Fair value of convertible notes upon issue		3,211,958	-
Less: allocation of fees		(263,721)	-
Interest expense		1,612,153	-
Carrying of convertible notes at reporting date		<u>4,560,390</u>	<u>-</u>

On 12th of September 2019 the company issued 5,041,831 convertible notes at \$1 (Series A). The terms of the note provide the bearer an accrued interest rate of 10% per annum as well as a discount on IPO or sale of 30%. The maturity date is 31 August 2021. If no conversion event has occurred by the maturity date, the noteholder has the ability to convert or redeem the notes for 125% of the principal money in addition to the note interest.

On 20th of April 2020 the Group completed a capital raising of \$2,860,000 through the issue of a convertible note (Series B). The terms of the note include an interest rate of 10% per annum accrued until the earlier of the redemption date or the conversion date. The notes convert at a 40% discount to IPO or sale. The maturity date of the note is 31 August 2021. If no conversion event has occurred by the maturity date, the noteholder has the ability to convert or redeem the notes for 135% of the principal money in addition to the note interest. The notes are secured over all the assets of the Group.

Investors in the April 2020 convertible note raise received nil exercise price options over half of the founders 33.25% equity stake in the group. At 30 June 2020, 17,755 of the 49,993 options were unexercised.

## 17. Derivative liabilities at fair value (convertible notes)

<b>Current</b>			
Fair value of derivative financial liability upon issue		4,689,873	-
Net change in fair value		(468,275)	-
Fair value of derivative financial liability at reporting date		<u>4,221,598</u>	<u>-</u>

## 18. Provisions

<b>Current</b>			
Employee benefits		273,202	233,880
		<u>273,202</u>	<u>233,880</u>
<b>Non-current</b>			
Employee benefits		201,232	143,297
		<u>201,232</u>	<u>143,297</u>



# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

	Note	2020	2019
		\$	\$
<b>19. Issued capital</b>			
300,753 (2019: 300,753) fully paid ordinary shares		17,939,052	17,939,052
Capital raising costs		(1,174,411)	(1,174,411)
		<u>16,764,641</u>	<u>16,764,641</u>

## a. Share capital

The share capital of Felix Group Holdings Ltd consists only of fully paid ordinary shares; the shares do not have a par value.

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

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

	No.	\$
Beginning of the year	300,753	17,939,052
Share issue	-	-
Closing equity	<u>300,753</u>	<u>17,939,052</u>

## b. Capital management

Management controls the capital of the company in order to maintain a good debt to equity ratio, provide shareholders with adequate returns and ensure that the company can fund its operations and continue as a going concern.

The company's debt and capital includes ordinary shares and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

	Note	2020 \$	2019 \$
<b>20. Cash flow information</b>			
<b>a. Reconciliation of Cash</b>			
Cash at bank	5	1,017,911	628,738
		<u>1,017,911</u>	<u>628,738</u>
<b>b. Reconciliation of Cash Flow from Operations with Profit after Income Tax</b>			
Loss after income tax		(7,217,343)	(5,292,984)
Non-cash flows in profit			
- Depreciation and amortisation		751,085	460,849
- Impairment of intangible assets		25,058	-
- Gain/ loss on asset disposal		-	(5,104)
- Interest expense on convertible note		1,612,153	-
- Net change in fair value of financial liabilities at fair value through profit or loss		(468,276)	-
- FX impact of translation of foreign subsidiary		5,374	(11,713)
- Share based payments		-	-
Changes in assets and liabilities:			
- (Increase)/decrease in receivables		145,779	(110,350)
- (Increase)/decrease in other assets		(176,503)	(148,678)
- Increase/(decrease) in creditors and accruals		(625,130)	152,747
- Increase/(decrease) in provisions		97,257	72,853
- Increase/(decrease) in contract liabilities		(241,400)	124,038
- Increase/(decrease) in financial liabilities		(263,721)	-
		<u>(6,355,667)</u>	<u>(4,758,342)</u>

## 21. Earnings per Share

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of the parent company (Felix Group Holdings) as the numerator, i.e. no adjustments to profits were necessary during the year ended 30 June 2020.

Shares on Issue	300,753	300,753
Total comprehensive income/(loss) attributable to members of the entity	(7,217,343)	(5,292,984)
Earnings per Share	<u>(24.00)</u>	<u>(17.60)</u>

The impact of the convertible notes has not been included in the calculation of diluted earnings per share as they are anti-dilutive for the periods shown. These notes could potentially dilute basic earnings per share in the future. The notes have the ability to convert at a 30% or 40% discount to a potential IPO price, alternatively if an IPO does not occur prior to 31 August 2021 the noteholders can elect to be paid back in cash plus the accrued interest and either 125% or 135% of the principal.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## 22. Key Management Personnel

### Directors

David Williams - Non Executive Director and Chairman  
John Grant - Non Executive Director and Chairman  
George Rolleston - Non Executive Director  
Michael Trusler - Non Executive Director  
Mike Davis - Executive Director

### Term as KMP

Full Financial Year  
11/12/2019 to 9/3/2020  
Full Financial Year  
Full Financial Year  
Full Financial Year

### Other KMP

James Frayne - CFO

### Term as KMP

Full Financial Year

## 23. Key Management Personnel (continued)

	2020	2019
	\$	\$
<b>Total KMP Compensation</b>		
Short Term Employee Benefits	505,539	514,843
Post Employment Benefits	-	-
Other Long Term Benefits	-	-
Termination Benefits	49,833	-
Share Based Payment	-	-
	<b>555,372</b>	<b>514,843</b>

## 24. Controlled Entities

	Parent Entity's Beneficial Interest	
	2020	2019
	%	%
Plant Miner Pty Ltd (Australia)	100	100
Miner Group Services (Australia)	100	100
Miner Group R&D Pty Ltd (Australia)	100	100
Felix Software Pty Ltd (Australia)	100	100
Felix Software NZ Limited (New Zealand)	100	100
Miner Group I.P. Pty Ltd (Australia)	100	100

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

<b>25. Parent entity information</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
		<b>\$</b>	<b>\$</b>
Information relating to Felix Group Holdings Limited (the Parent Company):			
Current assets		23,772,249	16,534,390
<b>Total assets</b>		<b>23,773,634</b>	<b>16,535,775</b>
Current liabilities		-	1,502
<b>Total liabilities</b>		<b>8,781,987</b>	<b>1,502</b>
Issued capital		16,764,641	16,764,641
Retained earnings		(1,772,994)	(230,368)
<b>Total equity</b>		<b>14,991,647</b>	<b>16,534,273</b>
Profit for the year		(1,542,626)	113,791
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>(1,542,626)</b>	<b>113,791</b>

The Parent Company does not have any capital commitments or contingent liabilities at the year end.

## 26. Events subsequent to reporting date

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially indifferent for the consolidated entity up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

The group is currently positioning itself for a proposed IPO. A corporate advisor has been engaged, a due diligence committee has formed and discussions with both ASIC and the ASX have commenced. The probability of achieving a successful listing is unknown at this stage.

Other than those noted above, no significant subsequent events have occurred since the reporting date which would make these financial statements for the year materially inaccurate or misleading, nor are any matters pending which might have such an effect.

## 27. Contingent liabilities

There were no contingent liabilities at reporting date.

## 28. Auditor's Remuneration

### Remuneration of the auditor, Grant Thornton Australia Ltd.

Auditing the financial report	35,000	27,000
Reviewing the half year financial report	15,000	-
	<b>50,000</b>	<b>27,000</b>

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

<b>29. Related Party Transactions</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
		\$	\$

The following transactions occurred with related parties:

Payment for corporate advisory services for the April 2020 convertible note 'with Kidder Williams Ltd (director-related entity):

Cash	<b>125,000</b>	-
Face value of convertible notes issued	<b>125,000</b>	-
	<b>250,000</b>	-

## 30. Company information

The registered office of the company is:

Unit 4  
34 Navigator Place  
HENDRA QLD 4011

## Directors' Declaration

The directors have determined that the company is a reporting entity, and that this general purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 3 to 31 in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards - Reduced Disclosure Requirements as described in Note 1 to the financial statements and Corporations Regulations 2001; and
  - (b) give a true and fair view of the group's financial position as at 30 June 2020 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.
2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



---

Director

Dated this 6th day of October 2020

## Independent Auditor's Report

To the Members of Felix Group Holdings Limited (previously Miner Group Limited)

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Felix Group Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated 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:

- a giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards – Reduced Disclosure Requirements 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 *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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates the Group incurred a net loss of \$7,217,343 during the year ended 30 June 2020, and incurred negative cash flows from operating activities of \$6,355,667. As at 30 June 2020 the Group has a deficiency in net assets of \$7,690,010 and a net current asset deficiency of \$8,769,517. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion has not been modified in respect of this matter.

### Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors' for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Act 2001*. The Directors' responsibility also includes 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). This description forms part of our auditor's report.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



M S Bell  
Partner – Audit & Assurance

Brisbane, 6 October 2020