



Half Year Ended 31 December 2020

Appendix 4D
and
Half Year Financial Report

Atomo Diagnostics Limited
Appendix 4D
Half Year Financial Report

1. Company details

Name of entity: Atomo Diagnostics Limited
ABN: 37 142 925 684
Reporting period: For the half-year ended 31 December 2020
Previous period: For the half-year ended 31 December 2019

2. Results for announcement to the market

| | | | | AUD |
|-------------------------------------------------------------------------------------------------|----|------|----|--------------|
| Revenues from ordinary activities | up | 388% | to | \$ 4,578,620 |
| Loss from ordinary activities after tax attributable to the owners of Atomo Diagnostics Limited | up | 13% | to | \$ 2,549,912 |
| Loss for the half-year attributable to the owners of Atomo Diagnostics Limited | up | 3% | to | \$ 2,413,565 |

Dividends

No dividends were paid or proposed during the half-year ended 31 December 2020.

Comments

Refer to the 'Operating and Financial Review' within the Directors' Report for further commentary on the half-year's results, financial position and likely developments in future years.

3. Net tangible assets

| | Reporting period AUD Cents | Previous period AUD Cents |
|-------------------------------------------|----------------------------------|---------------------------------|
| Net tangible assets per ordinary security | <u>5.38</u> | <u>(3.08)</u> |

The net tangibles assets / (liabilities) per ordinary security is calculated based on 565,397,807 ordinary shares on issue as at 31 December 2020, and 291,138,760 shares that were on issue as at 31 December 2019 (post-share split).

4. Control gained over entities

Not applicable

5. Loss of control over entities

Not applicable

6. Details of associates and joint ventures

Not applicable

7. Review qualification or review

The financial statements have been reviewed and an unqualified opinion has been issued.

8. Attachments

The Half-Year Financial Report of Atomo Diagnostics Limited for the half-year ended 31 December 2020 is attached.

9. Signed



Signed _____

Date: 23 February 2021

John Keith
Chair
Sydney

For personal use only

Atomo Diagnostics Limited

ABN 37 142 925 684

Interim Financial Statements

For the Half-Year Ended 31 December 2020

Atomo Diagnostics Limited
Corporate Directory
31 December 2020

Directors

John Keith (Chair & Independent Non-Executive Director)
John Kelly (Managing Director)
Curt Labelle (Non-Executive Director)
Paul Kasian (Non-Executive Director)
Connie Carnabuci (Non-Executive Director)

Company secretary

Gillian Nairn

Registered office

Level 2
701 - 703 Parramatta Road
Leichhardt NSW 2040

Principal place of business

Level 2
701 - 703 Parramatta Road
Leichhardt NSW 2040

Share register

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000

Auditor

BDO Audit Pty Ltd
Level 11, 1 Margaret Street
Sydney NSW 2000

Solicitors

HWL Ebsworth Lawyers
Level 14, Australia Square
264 - 278 George Street
Sydney NSW 2000

Stock exchange listing

Atomo Diagnostics Limited shares are listed on the Australian Securities Exchange (ASX code: AT1)

Website

www.atomodiagnostics.com

Atomo Diagnostics Limited
Directors' Report
31 December 2020

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Atomo Diagnostics Limited (referred to hereafter as the 'Company' or 'Parent Entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2020.

All amounts are presented in Australian dollars (AUD) unless otherwise stated.

Directors

The following persons were directors of Atomo Diagnostics Limited during the half-year and up to the date of this report. The directors were in office for this entire period unless otherwise stated:

| Director | Appointed | Resigned |
|---------------------------------------------------------|------------------|-----------------|
| John Keith (Chair & Independent Non-Executive Director) | 2 December 2011 | n/a |
| John Kelly (Managing Director) | 1 April 2010 | n/a |
| Curt Labelle (Non-Executive Director) | 1 April 2010 | n/a |
| Paul Kasian (Non-Executive Director) | 4 February 2020 | n/a |
| Connie Carnabuci (Non-Executive Director) | 4 February 2020 | n/a |

The Company Secretary is Gillian Nairn who was appointed on 4 February 2020.

Operating & Financial Review

Principal activities

The principal activities of the Group during the course of the half-year were the development and sale of medical devices.

There were no significant changes in the nature of the activities of the Group during the half-year.

Review of operations

The loss for the Group for the half-year to 31 December 2020 after providing for income tax amounted to \$2,625,328 (31 December 2019: \$2,259,765).

During the period revenue continued to grow significantly, up by 388% when compared to the same period in 2019. Growth was strong across all product groups, with Covid-19 sales contributing \$2.61 million, HIV sales accounting for \$0.77 million and other OEM sales of \$1.11 million. To support this growth, there was ongoing investment in property, plant and equipment, intangibles and working capital items, particularly inventory.

Cash and cash equivalents as at 31 December 2020 amounted to \$24.7 million compared to \$27.1 million as at 30 June 2020.

Significant changes in the state of affairs

- on 4 September 2020, the Company issued 320,000 ordinary shares to various employees under the Company's Exempt Employee Share Plan. None of these shares were issued to key management personnel.
- during the period, 4,000,000 options were exercised resulting in the issue of 4,000,000 ordinary shares and raising \$625,000 in cash.

In the opinion of the Directors, there were no other significant changes in the state of affairs of the Group during the half-year to 31 December 2020.

Matters subsequent to the end of the financial half year

No matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial periods.

Atomo Diagnostics Limited
Directors' Report
31 December 2020

Impacts of Covid-19

During the period, Atomo has continued to access opportunities created by Covid-19, in particular by selling its devices to customers who are producing Covid-19 antibody tests on Atomo devices for sale into the market. Further, Atomo has registered products with regulators in Australia to allow it to sell Covid-19 tests in the Australian market with that business commencing during the period. The Covid-19 pandemic has had a limited impact on Atomo's non-Covid-19 business primarily reflected in some minor delays in activities as customers and suppliers focus on addressing demand created by Covid-19.

Likely developments and expected results of operations

Atomo continues to meet increasing demand created by the ongoing Covid-19 pandemic. Further, the Company expects to expand activities in the following key areas:

- meet expected demand in the global HIV self-test market;
- investing in manufacturing capacity to support customers buying Atomo devices on an OEM basis; and
- continued R&D and investigation of new product and market opportunities.

Environmental Regulation

The Group's operations are not subject to any significant environmental regulation under both Australian Commonwealth or State law. The Board believes that the Group has adequate systems in place for the management of its environmental requirements.

Shares Under Option

Unissued ordinary shares of Atomo Diagnostics under option as at the date of this report are as follows:

| Expiry Date | Exercise Price | Number of Options |
|--------------------|-----------------------|--------------------------|
| 14 April 2022 | \$0.03 | 2,293,184 |
| 6 April 2021 | \$0.16 | 3,600,000 |
| 6 April 2022 | \$0.16 | 6,800,000 |
| 15 September 2022 | \$0.16 | 800,000 |
| 11 April 2023 | \$0.16 | 4,800,000 |
| 14 April 2024 | \$0.25 | 2,799,999 |
| 14 April 2025 | \$0.25 | 2,799,999 |
| 14 April 2026 | \$0.25 | 2,800,002 |
| Total | | <u>26,693,184</u> |

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Shares Issued on the Exercise of Options

During the half-year to 31 December 2020, Atomo issued 4,000,000 ordinary shares upon the exercise of 4,000,000 options. In addition, a further 1,000,000 options which had an expiry date of 24 November 2020 were not exercised and lapsed.

Atomo Diagnostics Limited
Directors' Report
31 December 2020

Indemnity and Insurance of Officers

The Company has indemnified the Directors and Executives of the Group 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 half-year, the Group paid a premium in respect of a contract to insure the Directors and Executives of the Group 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 the Auditor

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

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

Proceedings on behalf of the Group

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

Rounding of Amounts

The Group is of a kind referred to in *Corporations Instrument 2016/191*, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

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 immediately after this Directors' Report.

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:



John Keith
Chair

23 February 2021
Sydney

DECLARATION OF INDEPENDENCE BY GARETH FEW TO THE DIRECTORS OF ATOMO DIAGNOSTICS LIMITED

As lead auditor for the review of Atomo Diagnostics Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Atomo Diagnostics Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Gareth Few', written in a cursive style.

Gareth Few
Director

BDO Audit Pty Ltd

Sydney, 23 February 2021

Atomo Diagnostics Limited

Contents

31 December 2020

| | |
|----------------------------------------------------------------------|----|
| Statement of profit or loss and other comprehensive income | 7 |
| Statement of financial position | 8 |
| Statement of changes in equity | 9 |
| Statement of cash flows | 10 |
| Notes to the financial statements | 11 |
| Directors' declaration | 17 |
| Independent auditor's report to members of Atomo Diagnostics Limited | 18 |

General Information

The financial statements cover Atomo Diagnostics Limited as a consolidated entity consisting of Atomo Diagnostics Limited and the entities it controlled at the end of, or during, the half-year to 31 December 2020.

The financial statements are presented in Australian Dollars, which is Atomo Diagnostics Limited's functional and presentation currency.

Atomo Diagnostics Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered and principal place or business are:

Registered office

Level 2
701 - 703 Parramatta Road
Leichhardt NSW 2040

Principal place of business

Level 2
701 - 703 Parramatta Road
Leichhardt NSW 2040

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 23 February 2021. The Directors have the power to amend and reissue the financial statements.

Atomo Diagnostics Limited
Statement of Profit or Loss and Other Comprehensive Income
For the Half-Year Ended 31 December 2020

| | | Consolidated | |
|--------------------------------------------------------------------------------------|-------------|--------------------------------|-----------------------------|
| | | For the Half Year Ended | |
| | Note | 31 December 2020 | 31 December 2019 |
| Revenue | 2 | 4,578,620 | 937,324 |
| Cost of sales | | (2,053,676) | (544,005) |
| Gross profit | | 2,524,944 | 393,319 |
| Other income | 2 | 108,762 | 248,239 |
| Employee benefits expenses | 3(a) | (2,125,137) | (1,096,127) |
| Foreign exchange gains / (losses) | | (421,088) | 194,223 |
| Depreciation and amortisation | 3(b) | (492,659) | (318,858) |
| Research and development expenses | | (476,977) | (42,885) |
| Insurance | | (143,349) | (17,226) |
| Inventory obsolescence expense | | (94,190) | (2,044) |
| IT expenses | | (126,594) | (70,857) |
| Occupancy expenses | | (6,663) | (21,471) |
| Professional and consulting fees expense | | (690,842) | (375,682) |
| Regulatory expenses | | (213,324) | (78,731) |
| Travel expenses | | 16,655 | (85,417) |
| Other expenses | | (474,709) | (306,347) |
| Results from operating activities | | (2,615,171) | (1,579,864) |
| Finance income | 3(c) | 67,854 | 2,005 |
| Finance costs | 3(c) | (2,595) | (681,906) |
| Net finance income / (cost) | 3(c) | 65,259 | (679,901) |
| Loss before income tax | | (2,549,912) | (2,259,765) |
| Income tax (expense) / benefit | | - | - |
| Loss for the year | | (2,549,912) | (2,259,765) |
| Other comprehensive income and expenses | | | |
| Foreign currency translation reserve | | 136,347 | (83,685) |
| Total comprehensive income for the period | | (2,413,565) | (2,343,450) |
| Loss per share for profit attributable to owners of Atomo Diagnostics Limited | | | |
| | | Cents | Cents |
| Basic earnings per share | 13 | (0.45) | (0.78) |
| Diluted earnings per share | 13 | (0.45) | (0.78) |

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

Atomo Diagnostics Limited
Statement of Financial Position
As at 31 December 2020

| | | Consolidated | |
|--------------------------------------|-------------|-----------------------------|-------------------------|
| | | As at | |
| | Note | 31 December 2020 | 30 June 2020 |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 4 | 24,690,790 | 27,103,838 |
| Trade and other receivables | | 2,266,494 | 3,487,521 |
| Inventories | | 2,628,912 | 1,209,676 |
| Current tax assets | | 803,886 | 1,273,201 |
| Total current assets | | 30,390,082 | 33,074,236 |
| Non-current assets | | | |
| Property, plant and equipment | 5 | 1,842,697 | 1,452,598 |
| Right-of-use assets | | 60,167 | 55,710 |
| Intangible assets | 6 | 2,730,840 | 1,518,334 |
| Total non-current assets | | 4,633,704 | 3,026,642 |
| Total assets | | 35,023,786 | 36,100,878 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | | 1,589,764 | 1,296,904 |
| Lease liabilities | | 54,659 | 47,866 |
| Employee benefits | | 209,197 | 162,570 |
| Total current liabilities | | 1,853,620 | 1,507,340 |
| Non-current liabilities | | | |
| Lease liabilities | | 5,317 | 7,675 |
| Employee benefits | | 29,369 | 105,023 |
| Total non-current liabilities | | 34,686 | 112,698 |
| Total Liabilities | | 1,888,306 | 1,620,038 |
| Net assets | | 33,135,480 | 34,480,840 |
| Equity | | | |
| Issued capital | 7 | 67,340,429 | 66,514,571 |
| Foreign currency translation reserve | | (314,995) | (451,342) |
| Share based payment reserve | | 989,317 | 746,970 |
| Accumulated losses | | (34,879,271) | (32,329,359) |
| Total equity | | 33,135,480 | 34,480,840 |

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

Atomo Diagnostics Limited
Statement of Changes in Equity
For the Half-Year Ended 31 December 2020

| | Issued Capital | Foreign Currency Translation Reserve | Share Based Payment Reserve | Accumulated Losses | Total Equity |
|--------------------------------------------------------------|-------------------|-----------------------------------------------|-----------------------------------|-----------------------|--------------------|
| Balance as at 1 July 2019 | 17,110,055 | (55,493) | 585,105 | (23,111,254) | (5,471,587) |
| Loss for the half year | - | - | - | (2,259,765) | (2,259,765) |
| Other comprehensive income | - | (83,685) | - | - | (83,685) |
| Total other comprehensive income for the half year | - | (83,685) | - | (2,259,765) | (2,343,450) |
| <i>Transactions with owners, recorded directly in equity</i> | | | | | - |
| Equity-settled share based payments | - | - | 244,301 | - | 244,301 |
| Total transactions with owners | - | - | 244,301 | - | 244,301 |
| Balance as at 31 December 2019 | 17,110,055 | (139,178) | 829,406 | (25,371,019) | (7,570,736) |
| Balance as at 1 July 2020 | 66,514,571 | (451,342) | 746,970 | (32,329,359) | 34,480,840 |
| Loss for the half year | - | - | - | (2,549,912) | (2,549,912) |
| Other comprehensive income | - | 136,347 | - | - | 136,347 |
| Total other comprehensive income for the half year | - | 136,347 | - | (2,549,912) | (2,413,565) |
| <i>Transactions with owners, recorded directly in equity</i> | | | | | |
| Exercise of options | 728,190 | - | (103,190) | - | 625,000 |
| Associated costs | (10,332) | - | - | - | (10,332) |
| Equity-settled share based payments | 108,000 | - | 345,537 | - | 453,537 |
| Total transactions with owners | 825,858 | - | 242,347 | - | 1,068,205 |
| Balance as at 31 December 2020 | 67,340,429 | (314,995) | 989,317 | (34,879,271) | 33,135,480 |

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

Atomo Diagnostics Limited
Statement of Cash Flows
For the Half-Year Ended 31 December 2020

| | | Consolidated | |
|-------------------------------------------------------------------|-------------|--------------------------------|-----------------------------|
| | | For the Half Year Ended | |
| | Note | 31 December 2020 | 31 December 2019 |
| Cash flows from operating activities | | | |
| Receipts from customers | | 5,873,660 | 568,085 |
| Payments to suppliers and employees | | (7,267,317) | (2,934,979) |
| Cash used in operations | | (1,393,657) | (2,366,894) |
| Interest received | | 67,854 | 2,005 |
| Interest paid | | (2,595) | (579,602) |
| R&D and other government incentives received | | 1,135,090 | 771,416 |
| Net cash from / (used in) operating activities | 4(b) | (193,308) | (2,173,075) |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (722,812) | (124,199) |
| Payments for intangible assets | | (1,873,843) | (552,093) |
| Net cash from / (used in) investing activities | | (2,596,655) | (676,292) |
| Cash flows from financing activities | | | |
| Proceeds from issue of share capital upon the exercise of options | | 625,000 | - |
| Proceeds from issue of convertible notes | | - | 14,344,107 |
| Payments for transaction costs | | (10,332) | (911,803) |
| Repayment of leases | | (52,200) | - |
| Net cash from / (used in) financing activities | | 562,468 | 13,432,304 |
| Net increase / (decrease) in cash and cash equivalents | | (2,227,495) | 10,582,937 |
| Cash and cash equivalents at the beginning of the half year | | 27,103,838 | 1,855,706 |
| Effect of exchange rate fluctuations on cash held | | (185,553) | 1,626 |
| Cash and cash equivalents at the end of the half year | 4(a) | 24,690,790 | 12,440,269 |

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

Atomo Diagnostics Limited
Notes to the Financial Statements
For the Half-Year Ended 31 December 2020

Note 1: Significant accounting policies

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

(a) New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

(b) Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

(c) Operating segments

The Group manages its operations as a single business operation and there are no parts of the Group that qualify as operating segments under AASB 8 Operating Segments. The CEO (Chief Operating Decision Maker or "CODM") assesses the financial performance of the Group in an integrated basis only and accordingly, the Group is managed on the basis of a single segment, being medical device research and development. Information presented to the CODM on a monthly basis is categorised by type of expenditure.

Note 2: Revenue and other income

| | Consolidated | |
|----------------------------------------------|-----------------------------|-----------------------------|
| | 31 December 2020 | 31 December 2019 |
| <i>Revenue:</i> | | |
| Revenue from sale of goods | | |
| Covid-19 | 2,611,151 | - |
| HIV | 771,350 | 691,088 |
| Other OEM | 1,112,598 | 178,496 |
| Other | 83,522 | 67,740 |
| | <u>4,578,620</u> | <u>937,324</u> |
| <i>Other income:</i> | | |
| R&D tax rebate | 153,327 | 248,239 |
| R&D tax rebate overprovisioned in prior year | (161,808) | - |
| Covid-19 Government grants | 117,243 | - |
| | <u>108,762</u> | <u>248,239</u> |
| Total revenue and other income | <u>4,687,382</u> | <u>1,185,563</u> |

Atomo Diagnostics Limited
Notes to the Financial Statements
For the Half-Year Ended 31 December 2020

Note 3: Expenses

| | Consolidated | |
|--------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| | 31 December 2020 | 31 December 2019 |
| Profit / (loss) before income tax from continuing operations includes the following specific expenses: | | |
| (a) Employee benefits expense | | |
| Salaries, wages and directors' fees | 1,459,387 | 746,069 |
| Contributions to defined contribution superannuation funds | 140,352 | 62,640 |
| Equity-settled share-based payments | 453,537 | 244,301 |
| Other employment related expenses | 71,861 | 43,117 |
| | <u>2,125,137</u> | <u>1,096,127</u> |
| (b) Depreciation and amortisation | | |
| Depreciation expense (Note 5) | 332,713 | 275,109 |
| Amortisation expense (Note 6) | 104,322 | 43,749 |
| Right-of-use assets | 55,624 | - |
| | <u>492,659</u> | <u>318,858</u> |
| (c) Net finance income / (cost) | | |
| Interest income | 67,854 | 2,005 |
| Cash interest expense | (545) | (2,347,691) |
| Lease interest expense | (2,050) | - |
| Fair value gain / (loss) on financial liabilities | - | 1,861,818 |
| Borrowing Costs | - | (196,033) |
| | <u>65,259</u> | <u>(679,901)</u> |

Note 4: Current assets - cash and cash equivalents

| | Consolidated | |
|-------------------------------------------------------------------|-----------------------------|-----------------------------|
| | 31 December 2020 | 31 December 2019 |
| (a) Cash and cash equivalents in statement of cash flows | | |
| Cash at bank | 24,690,790 | 12,440,269 |
| | <u>24,690,790</u> | <u>12,440,269</u> |
| (b) Reconciliation of cash flows from operating activities | | |
| Loss for the year | (2,549,912) | (2,259,765) |
| <i>Adjustments for:</i> | | |
| Depreciation and amortisation | 492,659 | 318,858 |
| Unrealised currency translation movements | 318,456 | 100,947 |
| Equity-settled share-based payment transactions | 453,537 | 244,301 |
| Fair value (gain) / loss on financial liabilities | - | (1,861,818) |
| Finance costs | - | 1,768,089 |
| | <u>1,264,652</u> | <u>570,377</u> |
| Operating profit before changes in working capital and provisions | <u>(1,285,260)</u> | <u>(1,689,388)</u> |

Atomo Diagnostics Limited
Notes to the Financial Statements
For the Half-Year Ended 31 December 2020

Note 4: Current assets - cash and cash equivalents (continued)

| | | |
|---------------------------------------------------|-------------------------|---------------------------|
| <i>Changes in working capital and provisions:</i> | | |
| Change in trade and other receivables | 2,550,436 | 102,294 |
| Change in trade and other payables | (10,221) | (184,611) |
| Change in inventories | (1,419,236) | (416,484) |
| Change in employee benefits | (29,027) | 15,114 |
| | <u>1,091,952</u> | <u>(483,687)</u> |
| Net cash from operating activities | <u>(193,308)</u> | <u>(2,173,075)</u> |

Note 5: Non-current assets - property, plant and equipment

| | Consolidated | |
|--------------------------------------------|-----------------------------|-------------------------|
| | 31 December 2020 | 30 June 2020 |
| Plant and equipment - at cost | 3,773,396 | 3,050,584 |
| Less: Accumulated depreciation | <u>(1,930,699)</u> | <u>(1,597,986)</u> |
| Total plant and equipment | <u>1,842,697</u> | <u>1,452,598</u> |
| Total property, plant and equipment | <u>1,842,697</u> | <u>1,452,598</u> |

Reconciliations:

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

| Consolidated | Plant and equipment | Total |
|------------------------------------|--------------------------------|-------------------------|
| Balance at 1 July 2020 | 1,452,598 | 1,452,598 |
| Additions | 722,812 | 722,812 |
| Depreciation expense | <u>(332,713)</u> | <u>(332,713)</u> |
| Balance at 31 December 2020 | <u>1,842,697</u> | <u>1,842,697</u> |

Note 6: Non-current assets - intangible assets

| | Consolidated | |
|--------------------------------------|-----------------------------|-------------------------|
| | 31 December 2020 | 30 June 2020 |
| Patents and trademarks - at cost | 1,515,278 | 1,449,224 |
| Less: accumulated amortisation | <u>(567,440)</u> | <u>(536,164)</u> |
| Total patents and trademarks | <u>947,838</u> | <u>913,060</u> |
| Product development assets - at cost | 1,872,614 | 621,840 |
| Less: accumulated amortisation | <u>(108,761)</u> | <u>(36,845)</u> |
| Total product development assets | <u>1,763,853</u> | <u>584,995</u> |
| Other intangibles - at cost | 91,429 | 91,429 |
| Less: accumulated amortisation | <u>(72,280)</u> | <u>(71,150)</u> |
| Total other intangibles | <u>19,149</u> | <u>20,279</u> |
| Total intangible assets | <u>2,730,840</u> | <u>1,518,334</u> |

Atomo Diagnostics Limited
Notes to the Financial Statements
For the Half-Year Ended 31 December 2020

Note 6: Non-current assets - intangible assets (continued)

Reconciliations:

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

| Consolidated | Patents and trademarks | Product development costs | Other intangibles | Total |
|-----------------------------------------------------------------|-------------------------------|----------------------------------|--------------------------|------------------|
| Balance at 1 July 2020 | 913,060 | 584,995 | 20,279 | 1,518,334 |
| Additions | 66,054 | 1,807,789 | - | 1,873,843 |
| Amortisation expense | (31,276) | (71,916) | (1,130) | (104,322) |
| Capitalisation of R&D rebate | - | (668,430) | - | (668,430) |
| Reversal of over-accrued capitalised R&D rebate from prior year | - | 75,416 | - | 75,416 |
| Capitalised R&D rebate recognised as income | - | 35,999 | - | 35,999 |
| Balance at 31 December 2020 | 947,838 | 1,763,853 | 19,149 | 2,730,840 |

Note 7: Equity - issued capital

| | Consolidated | | | |
|------------------------------|-------------------------|---------------------|-------------------------|---------------------|
| | Number of Shares | | Value(\$) | |
| | 31 December 2020 | 30 June 2020 | 31 December 2020 | 30 June 2020 |
| Ordinary shares - fully paid | 565,397,807 | 561,077,807 | 67,340,429 | 66,514,571 |

Movements in ordinary share capital:

| Details | Number of Shares | Value (\$) |
|---------------------------------------------|-------------------------|-------------------|
| Opening balance at 1 July 2020 | 561,077,807 | 66,514,571 |
| Issue of share upon the exercise of options | 4,000,000 | 728,190 |
| Associated costs | - | (10,332) |
| Issue of shares under employee share plan | 320,000 | 108,000 |
| Closing balance at 31 December 2020 | 565,397,807 | 67,340,429 |

Note 8: Contingent assets

There were no contingent assets as at 31 December 2020.

Note 9: Contingent liabilities

There were no contingent liabilities as at 31 December 2020.

Atomo Diagnostics Limited
Notes to the Financial Statements
For the Half-Year Ended 31 December 2020

Note 10: Commitments

| | Consolidated | |
|----------------------------------------------------------------------------|-----------------------------|-------------------------|
| | 31 December 2020 | 30 June 2020 |
| <i>Capital commitments</i> | | |
| Committed at the reporting date but not recognised as liabilities payable: | | |
| Plant and equipment and intangibles | 2,240,584 | 2,668,969 |
| <i>Other commitments</i> | | |
| Inventory | 1,421,434 | 2,463,221 |
| Total commitments | 3,662,018 | 5,132,190 |

Note 11: Related party transactions

(a) Key management personnel compensation:

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

| | Consolidated | |
|----------------------------------------------------|-----------------------------|-----------------------------|
| | 31 December 2020 | 31 December 2019 |
| Short-term employee benefits | 749,451 | 287,547 |
| Post-employment benefits | 77,772 | 15,675 |
| Long-term benefits | 5,687 | 2,016 |
| Share-based payments | 274,037 | 80,625 |
| Total key management personnel compensation | 1,106,947 | 385,863 |

(b) Transactions with other related parties

Transactions between related parties are on normal commercial terms and conditions and no more favourable than those available to other parties, unless stated otherwise. The following transactions occurred with related parties:

| | Consolidated | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| | 31 December 2020 | 31 December 2019 |
| ID&E Pty Ltd, a company controlled by Mr George Sidis, previously a Non-Executive Director of the Company, provided the following services during the half years whilst Mr George Sidis was a Non-Executive Director: | | |
| Purchase of inventory | n/a - see note | 442,604 |
| Research and development | n/a - see note | 328,307 |
| Plant and equipment | n/a - see note | 16,560 |
| Other services | n/a - see note | 80,029 |
| Total | n/a - see note | 867,500 |

At the end of the half-year, the following amounts were shown owing to related parties in trade and other payables

| | |
|----------------|-------|
| n/a - see note | 9,855 |
|----------------|-------|

Note: As Mr George Sidis resigned as a Non-Executive Director of Atomo on 3 February 2020, no transactions between ID&E Pty Ltd and the Company are included in the tables above with respect to the half-year to 31 December 2020 as he is no longer considered a related party.

Atomo Diagnostics Limited
Notes to the Financial Statements
For the Half-Year Ended 31 December 2020

Note 11: Related party transactions (continued)

(c) Key management personnel transactions

Directors and other key management personnel hold 29.7% of the issued capital of the company as at 31 December 2020 (30 June 2020: 28.2%).

Note 12: Events after the reporting period

No matter or circumstance has arisen since 31 December 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 periods.

Note 13: Earnings per share

| | Consolidated | |
|------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| | 31 December 2020 | 31 December 2019 |
| Loss after income tax attributable to the owners of Atomo Diagnostics Limited | (2,549,912) | (2,259,765) |
| Loss after income tax attributable to the owners of Atomo Diagnostics Limited used in calculating diluted earnings per share | <u>(2,549,912)</u> | <u>(2,259,765)</u> |
| | Cents | Cents |
| Basic earnings per share | (0.45) | (0.78) |
| Diluted earnings per share | (0.45) | (0.78) |
| | Number | Number |
| <i>Weighted average number of ordinary shares:</i> | | |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 562,617,916 | 290,898,760 |
| Adjustments for calculation of diluted earnings per share: No adjustments given that in a loss situation, this would be anti-dilutive | - | - |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>562,617,916</u> | <u>290,898,760</u> |

The weighted average number of ordinary shares used in the calculation for earnings per share for the half-year ended 31 December 2019 has been amended to reflect the 1:8 share split which took place on 21 February 2020.

Atomo Diagnostics Limited
Directors' Declaration
31 December 2020

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors:



John Keith
Chair

23 February 2021
Sydney

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Atomo Diagnostics Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Atomo Diagnostics Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the Corporations Act 2001 including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001 which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the financial report

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




Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2020 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

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

BDO Audit Pty Ltd

A handwritten signature in black ink, appearing to read 'Gareth Few', is written over a faint, stylized 'BDO' logo.

Gareth Few
Director

Sydney, 23 February 2021