REMSENSE TECHNOLOGIES LIMITED

ABN 50 648 834 771

ANNUAL FINANCIAL REPORT

For the year ended 30 June 2021

CONTENTS

DIRECTORS' REPORT

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of RemSense Technologies Limited (referred to hereafter as the 'Company' or 'parent entity') and the entity it controlled at the end of, or during, the year ended 30 June 2021.

DIRECTORS

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

Steve Brown	Managing Director	Appointed 19 March 2021
Chris Sutherland	Non-executive Chairman	Appointed 19 March 2021
Ross Taylor	Non-executive Director	Appointed 19 March 2021
Nicole O'Connor	Non-executive Director	Appointed 22 April 2021

PRINCIPAL ACTIVITIES

During the financial year the principal continuing activities of the Group consisted of technology development and systems engineering services across a range of markets and applications in Western Australia.

DIVIDENDS

The Directors recommend that no dividend be provided for the year ended 30 June 2021 (2020: Nil).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 19 March 2021, RemSense Technologies Limited was incorporated primarily for the purpose of listing RemSense Pty Ltd, a company it acquired on 14 April 2021, on the Australian Securities Exchange ("ASX").

The Company anticipates listing on the ASX late September 2021.

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

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Other than as disclosed in note 6.7 of the notes to the financial statements, there have been no matters or circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations of the Group, the results of these operations, or the state of affairs of the Group in future financial years.

LIKELY DEVELOPMENTS

The Group has a comprehensive growth plan for the business that will be funded using capital raised in the IPO which is expected to occur late September 2021.

The prospectus issued by RemSense Technologies Limited will provide all related information.

ENVIRONMENTAL REGULATIONS

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

OPERATING AND FINANCIAL REVIEW

Overview

Throughout 2021 the Group continued to conduct business across all product and service lines. The Group reported record sales revenue of $4,311,664 (2020: $2,171,550) despite being impacted by Covid 19 lockdowns and restrictions.

Staff numbers increased to 24 in order to position the Group for growth. A significant multi-year contract was signed with Woodside Technology Pty Ltd ('Woodside') on 10 November 2020 to provide engineering and technology development services.

On 25 September 2020, the Group signed a five-year licence agreement with Woodside to support Virtual Plant sales and throughout 2021 continued its product enhancements.

On 11 June 2021, to cater for Group expansion, the Company signed an agreement to lease additional office space in the Equus building.

Acquisition of RemSense Pty Ltd

RemSense Technologies Limited ("REM") was incorporated on 19 March 2021 primarily for the purpose of being listed on the Australian Securities Exchange ("ASX").

On 14 April 2021, RemSense Technologies Limited completed the acquisition of 100% of the issued capital of RemSense Pty Ltd ("RPL"), a company which specialises in technology development and engineering services ("Acquisition"). The transaction between the Company and RPL is treated as a capital re-organisation; from a legal and taxation perspective, the Company is considered the acquiring entity, but for accounting purposes, RPL has been identified as the accounting acquirer of the Group. The accompanying consolidated financial statements represent a continuation of RPL's financial statements. The consolidated results reflect a full period of RPL plus the Company from the effective date of acquisition, 14 April 2021 to 30 June 2021. The comparative period results reflect RPL.

Further information on the Acquisition is detailed in note 1.7 of the financial statements.

Operating results

The loss for the Group after providing for income tax amounted to $728,623 (2020: loss of $247,975).

Initial Public Offering ("IPO")

On 4 March 2021 the Directors entered into a Corporate Advisory and Capital Raising Mandate with Mac Equity Partners in relation to the Initial Public Offering of shares in the Company.

On 28 April 2021 Mac Equity Partners successfully completed the raising of $735,000 as seed capital.

On 4 June 2021 RemSense Technologies Limited obtained In-Principal advice from that ASX to proceed with the IPO and listing.

INFORMATION ON DIRECTORS

'Other current directorships' are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships' are directorships held in the last three years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

	Experience, qualifications and other directorships
Name: Title: Qualifications:	Chris Sutherland Non-Executive Chairman BEng., AICD.
Experience and expertise:	Mr Sutherland has significant executive leadership expertise spanning more than 20 years, encompassing a wide array of sectors in Australia; including oil and gas, resources, infrastructure, and manufacturing. Most notably he was Managing Director and Chief Executive Officer of Programmed Maintenance Services Limited (formerly Integrated Group), a leading staffing, maintenance, and facility management services provider, from January 2008 to September 2019. This included leading Programmed during its acquisition by Japanese-based group Persol in 2017. Chris was also APAC Region Managing Director of subsea contracting firm, Sonsub Services and has held various executive and management roles with major multidisciplinary engineering companies including Clough and WorleyParsons. Chris completed an Advanced Management Program at Harvard Business School, was a co-founder and Chair of a Perth-based group of CEOs for Gender Equality and was awarded the Australian Human Resources Institute CEO Diversity Champion Award (AHRI) in 2017.
Other current directorships:	Non-Executive Director of Matrix Composites & Engineering Limited Appointed: 10 December 2020
Former directorships (past 3 years):	Non-Executive Director of MACA Limited From 26 February 2020 to 10 September 2020
Special responsibilities:	Member of the Audit and Risk Committee Member of the People and Nomination Committee
Interests in shares: Interests in options:	146,795 1,747,861

INFORMATION ON DIRECTORS (continued)

	Experience, qualifications and other directorships
Name: Title:	Steve Brown Managing Director
Experience and expertise:	Mr Brown is a commercially astute, results driven and focused strategic leader with a proven track record in orchestrating strong organisational and revenue growth. He has extensive expertise in establishing and articulating company direction, high level strategy, evaluating complex operating environments, emerging market trends, and aligning corporate culture. Steve has repeated success in building outstanding professional teams to support high growth organisations. Steve has over 20 years' experience as CEO with Covus Corporation (a subsidiary of Clough) and European company DOF Subsea from 2005 until 2013 where he was responsible for the global business based in Europe and Executive Vice President responsible for Australia and Asia, with directorships on all group companies in Australia, Singapore, Indonesia, Malaysia, and Brunei.
Other current directorships:	None
Former directorships (past 3 years):	None
Special responsibilities:	None
Interests in shares: Interests in options:	12,597,363 2,074,499
Name: Title: Qualifications:	Ross Taylor Non-Executive Director BCom (UQ), SIA, ACA.
Experience and expertise:	Mr Taylor is a Chartered Accountant and an investment banking consultant with a thorough knowledge of international financial markets gained whilst working in Australia, London, New York, and Tokyo. Ross has extensive experience in the global investment banking sector and has held senior positions with Deutsche Bank, Bankers Trust and Barclays Capital.
Other current directorships:	Non-Executive Chairman of Lodestar Minerals Limited Appointed: 30 June 2014
Former directorships (past 3 years):	None
Special responsibilities:	Chair of the Audit and Risk Committee Member of the People and Nomination Committee
Interests in shares: Interests in options:	146,795 1,747,861

INFORMATION ON DIRECTORS (continued)

	Experience, qualifications and other directorships
Name: Title:	Nicole O'Connor Non-Executive Director
Experience and expertise:	Ms O'Connor is an accomplished executive with proven strategic, digital, and transformational capability. Nicole has more the 20 years' experience in the technology sector having worked for some of the world's largest corporations. Currently, as Director of Research at Curtin University, Nicole oversees the operations of approximately $150 million of research projects. In prior roles, Nicole led the successful growth of SAP in WA, transitioning from the provision of on-premises software to becoming a cloud-led services provider; and held a variety of roles at IBM culminating in managing their regional infrastructure business.
Other current directorships:	None
Former directorships (past 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee Chair of the People and Nomination Committee
Interests in shares: Interests in options:	Nil 250,000

COMPANY SECRETARY

David McArthur is a Chartered Accountant and was appointed to the position of Company Secretary on 19 March 2021. David has a Bachelor of Commerce Degree from the University of Western Australia. He is a Chartered Accountant, having spent four years with a major international accounting firm, and has over 30 years' experience in the accounting profession. David has been actively involved in the financial and corporate management of numerous public listed companies over the past 30 years.

David has substantial experience in capital raisings, company re-organisations and restructuring, mergers and takeovers, and asset acquisitions by public companies.

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors ("the Board") and of each Board committee held during the year ended 30 June 2021, and the number of meetings attended by each director was:

	Full Board		Audit & Risk Committee	
	Attended	Held	Attended	Held
Chris Sutherland	2	2	1	1
Steve Brown	2	2	1	1
Ross Taylor	2	2	1	1
Nicole O'Connor	2	2	1	1

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

The small size of the Board means that members of the Board meet informally on a regular basis to discuss Group operations, risks, and strategies, and as required, formalise key actions through circular resolutions.

In addition to the meetings held above, a number of decisions of the Board were undertaken via five circular resolutions.

INDEMNITY AND INSURANCE OF OFFICERS

The Group 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 lack of good faith.

During the financial year, the Group insured the directors and executives of the Group against any liability to the extent permitted by the *Corporations Act 2001*. The current premium is $3,595 (2020: $2,431).

INDEMNITY AND INSURANCE OF AUDITOR

The Group 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 Group has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

PROCEEDINGS ON BEHALF OF THE COMPANY

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.

SHARES UNDER OPTION

Unissued ordinary shares of RemSense Technologies Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price cents	Number under option
19-Mar-2021	30-Jun-2023	25	8,718,622
20-Apr-2021	30-Jun-2024	30	1,250,000
02-Aug-2021	30-Jun-2024	30	750,000
			10,718,622

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

No ordinary shares of RemSense Technologies Limited were issued during the year ended 30 June 2021, and up to the date of this report, on the exercise of options granted.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 6.6 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in not 6.6 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as wet out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing, or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

AUDITOR INDEPENDENCE

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 16.

AUDITOR

BDO Audit (WA) Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

AUDITED REMUNERATION REPORT

This report, which forms part of the Directors' Report, outlines the remuneration arrangements in place for the Directors of RemSense Technologies Limited for the year ended 30 June 2021. There were no other key management personnel during the year. The information provided in this remuneration report has been audited as required by Section 308(3C) of the *Corporations Act 2001* and its Regulations.

The Remuneration Report details the remuneration arrangements for the Directors who are defined as those persons having authority and responsibility for planning, directing, and controlling the major activities of the Group, directly or indirectly, whether executive or otherwise.

Remuneration philosophy

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results achieved. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ("the Board") ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The People and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its executive directors, non-executive directors, and other key executives. The performance of the Group depends on the quality of its key management personnel. The remuneration philosophy is to attract, motivate and retain high performance and high-quality personnel.

The reward framework is designed to align executive reward to shareholders' interest. The Board has considered that it should seek to enhance shareholders' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

Remuneration structure

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

<u>Non-Executive Directors' Remuneration</u>
Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payment are reviewed annually by the People and Remuneration Committee. The People and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to the determination of his own remuneration.

ASX Listing Rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination is in the Company's Constitution, where shareholders approved a maximum annual aggregate remuneration of $500,000.

Remuneration structure (continued)

Non-Executive Directors' Remuneration (continued)

Each Non-Executive Director receives a fee for being a Director of the Group which is inclusive of statutory superannuation and membership of sub-committees:

- Chairman $30,000 p.a. including superannuation
- Non-Executive Directors $15,000 p.a. including superannuation

In addition to their base fees, non-executive directors may also receive payment for strategic advisory services at $750 per day, plus any reimbursable expenses.

Prior to the incorporation of RemSense Technologies Limited, and up to 27 June 2021, these fees were paid by RemSense Pty Ltd.

Until listing of the Company on the ASX, non-executive directors will continue to be remunerated under the terms and conditions of their RPL agreements. From the date of official listing, the non-executive Chairman fees will be $100,000 p.a. and non-executive director fees will be $75,000 p.a. All fees will be exclusive of superannuation.

On 22 April 2021, Nicole O'Connor was appointed to the Board earning $50,000 p.a. plus superannuation. On 30 June 2021, the directors resolved that non-executive directors' fee would reduce to $37,500 p.a. plus superannuation with effect from 1 July 2021 until the official listing of the Company on the ASX.

Non-executive Directors each received 250,000 options, vesting on 30 June 2023, exercisable at 30 cents on or before 30 June 2024.

Executive Remuneration

The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

There are three components to the executive remuneration and reward framework:

- base pay and non-monetary benefits
- share-based payments
- other remuneration such as superannuation and long-service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration

Fixed remuneration, consisting of base salary, superannuation, and non-monetary benefits, are reviewed annually by the People and Remuneration Committee based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits where it does not create any additional costs to the Group and provides additional value to the executive.

Short-term incentive scheme

The short-term incentives ("STI") program is designed to align the targets of the business units with the performance hurdles of key management. STI payments are granted to executives based on specific annual targets and key performance indicators ("KPIs") being achieved. At this stage, the Group has not awarded any STIs.

Remuneration structure (continued)

Long-term incentive scheme

The long-term incentives ("LTIs") include long-service leave and share-based payments. Share options are awarded to executives over a period of three years based on long-term incentive measures. These include increase in shareholder's value relative to the entire market and the increase compared to the Group's direct competitors. The People and Remuneration Committee reviewed the long-term equity-linked performance incentives for executives during the year ended 30 June 2021.

The Group has adopted an Employee Incentive Option Plan (Plan). Under the Plan, the Company may grant options to Group eligible employees and consultants to attract, motivate and retain key employees over a period of three years up to a maximum of 10% of the Company's total issued ordinary shares at the date of the grant. Director options are granted at the discretion of the Board and approved by shareholders. Performance hurdles are not attached to vesting periods however the Board determines appropriate vesting periods to provide rewards over time.

Options granted as compensation

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

	Number of options granted	Grant date	Value per option at grant date	Value of options at grant date	Vesting and first exercise date	Exercise Price Per option	Expiry date
			cents	$		cents	
Chris Sutherland	250,000	19-Mar-21	7.62	19,042	30-Jun-23	30.0	30-Jun-24
Steve Brown	500,000	19-Mar-21	7.62	38,085	30-Jun-23	30.0	30-Jun-24
Ross Taylor	250,000	19-Mar-21	7.62	19,042	30-Jun-23	30.0	30-Jun-24
Nicole O'Connor	250,000	22-Apr-21	7.62	19,042	30-Jun-23	30.0	30-Jun-24

Chris Sutherland, Steve Brown, and Ross Taylor who were instrumental in managing the Company towards IPO were each granted 1,400,000 options in the Company prior to the capital reorganisation on 14 April 2021.

All options were granted over unissued fully paid shares in the Company. Options vest based on the provision of service over the vesting period whereby the executive becomes beneficially entitled to the option on vesting date. Options are exercisable by the holder as from the vesting date. There has not been any alteration to the terms or conditions of the grant since the grant date. There are no amounts paid or payable by the recipient in relation to the granting of such options other than on their potential exercise.

No options granted as compensation in prior years were exercised, forfeited, lapsed, or cancelled (2020: nil).

Group performance and link to remuneration

The remuneration of the Group's key management personnel, including any component of remuneration that consists of securities in the Company, is not formally linked to the prior performance of the Group. The rationale for this approach is that the Group is a start-up, and it is currently not appropriate to link remuneration to factors such as profitability or share price.

Remuneration structure (continued)

Group performance and link to remuneration (continued)

	2021	2020	2019
Revenue from ordinary activities ($)	4,311,664	2,171,550	1,117,757
Other income ($)	373,088	226,073	17,100
Loss before income tax ($)	(728,623)	(247,975)	(71,036)
Net loss attributable to equity holders ($)	(728,623)	(247,975)	(71,036)
Share price at year end (cents)	16.00	n/a	n/a
Number of unlisted ordinary shares	54,593,751	3,453,390	160
Weighted average number of shares	31,309,445	14,230,731	160
Basic loss per share EPS (cents)	(2.33)	(1.74)	n/a
Unlisted options	9,968,622	-	-
Net tangible assets / (liabilities) (NTA) ($)	191,946	(273,184)	(86,724)
NTA Backing (cents)	0.35	(7.91)	(54,202.50)

During the financial years noted above, there were no dividends paid or other returns of capital made by the Company to shareholders.

Use of remuneration consultants
No remuneration consultants provided services during the year.

Employment contracts

Remuneration and other terms of employment for key management personnel are formalised in employment contracts. Details for these agreements are as follows:

Name	Terms of Agreement *	Employee notice period	Employer notice period	Base salary **	Termination Benefit ***
Steve Brown	Ongoing from 15 October 2012	Twelve months	Twelve months	$250,000	Twelve months' base salary

* A new agreement with RemSense Technologies Limited was signed on 19 March 2021. Until listing of the Company on the ASX, remuneration will continue under the terms and conditions of the RPL agreement. Under new agreement 500,000 options were issued, vesting on 30 June 2023, exercisable at 30 cents on or before 30 June 2024.

** Base salary is exclusive of the superannuation guarantee charge rate applicable at the time, currently 10% (2020: 9.50%).
From the date of official listing, base salary will increase to $275,000 p.a.

*** Termination benefits are payable upon early termination by the Group, other than for gross misconduct. They are equal to base salary for the notice period.

Changes since the end of the reporting period:
Jillian Rosich was appointed Chief Financial Officer with effect from 9 August 2021. Terms of employment are: $136,000 (for 80% FTE) plus superannuation with three months' termination notice by either party. In addition to base salary, the Company issued 250,000 options, vesting on 30 June 2023, exercisable at 30 cents on or before 30 June 2024.

Details of remuneration

Details of the remuneration of key management personnel of the Group are set out in the following tables.

	Short-term benefits		Post employment benefits	Long-term Benefits	Share-based payments	Total
	Cash salary and fees	D&O insurance premiums	Super-annuation	Long service leave	Equity-settled options (A)	
2021	**$**	**$**	**$**	**$**	**$**	**$**
Non-executive Directors						
Chris Sutherland (B)	55,909	586	5,311	-	1,688	**63,494**
Ross Taylor (B)	44,455	586	4,223	-	1,688	**50,952**
Nicole O'Connor (C)	9,680	132	920	-	1,688	**12,420**
Executive Director						
Steve Brown	250,463	700	23,595	27,757	3,375	**305,890**
Former Directors						
Richard Pace (D)	-	592	-	-	-	**592**
John Clegg (E)	-	21	-	-	-	**21**
Robert Stanley (F)	12,525	489	1,190	-	-	**14,204**
David Endersby (F)	18,150	489	948	-	-	**19,587**
	391,182	**3,595**	**36,187**	**27,757**	**8,439**	**467,160**
2020						
Non-executive Directors						
John Clegg	-	488	-	-	-	**488**
Richard Pace	-	488	-	-	-	**488**
Robert Stanley	35,822	479	3,356	-	-	**39,657**
David Endersby	20,483	488	1,248	-	-	**22,219**
William Sashegyi	2,853	-	271	-	-	**3,124**
Executive Directors						
Steve Brown	152,859	488	14,031	2,582	-	**169,960**
	212,017	**2,431**	**18.906**	**2,582**	**-**	**235,936**

(A) The fair value of options granted was determined using the Black-Scholes option pricing model

(B) Represents remuneration from 28 August 2020 to 30 June 2021

(C) Represents remuneration from 22 April 2021 to 30 June 2021

(D) Represents remuneration from 1 July 2020 to 5 May 2021

(E) Represents remuneration from 1 July 2020 to 11 July 2020

(F) Represents remuneration from 1 July 2020 to 12 March 2021

No proportion of Directors' remuneration was linked to performance for the year ended 30 June 2021 (2020: nil).

No cash bonuses were granted during the year (2020: Nil).

Additional disclosures relating to key management personnel

Shareholdings
The number of shares in the Company held during the financial year by each director, including their personally related parties, is set out below:

	Balance at the start of the year	Purchases	Technologies share split	In lieu of debt	Held on appointment/ (resignation)	Balance at the end of the year
Chris Sutherland	-	10,776	136,019	-	-	**146,795**
Steve Brown	905,560	2,156	11,672,587	17,060	-	**12,597,363**
Ross Taylor	-	10,776	136,019	-	-	**146,795**
John Clegg	543,330	-	-	-	(543,330)	**-**
Richard Pace	1,098,940	-	14,169,409	23,649	(15,291,998)	**-**
Robert Stanley	-	8,621	-	-	(8,621)	**-**
	2,547,830	32,329	26,114,034	40,709	(15,843,949)	**12,890,953**

Additional disclosures relating to key management personnel (continued)

Option holdings
The number of options over ordinary shares in the Company held during the financial year by each director, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of share split	Received as part of remuneration (pre acquisition)	Received as part of remuneration (post acquisition)	Held on resignation	Balance at the end of the year	Vested and exercisable at the end of the year
Chris Sutherland	-	97,861	1,400,000	250,000	-	1,747,861	**1,497,861**
Steve Brown	-	174,499	1,400,000	500,000	-	2,074,499	**1,574,499**
Ross Taylor	-	97,861	1,400,000	250,000	-	1,747,861	**1,497,861**
Nicole O'Connor	-	-	-	250,000	-	250,000	**-**
Richard Pace	-	214,763	-	-	(214,763)	-	**-**
	-	584,984	4,200,000	1,250,000	(214,763)	5,820,221	**4,570,221**

Share-based remuneration granted as compensation
The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

For details of share-based payments granted during the year, refer note 6.1.

Other transactions with key management personnel
Details of other transactions with key management personnel not involving direct remuneration are disclosed in note 6.3.

END OF AUDITED REMUNERATION REPORT

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

On behalf of the Directors.

STEVE BROWN
Managing Director

26 August 2021
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DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF REMSENSE TECHNOLOGIES LIMITED

As lead auditor of RemSense Technologies Limited for the year ended 30 June 2021, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of RemSense Technologies Limited and the entity it controlled during the period.

Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 26 August 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2021

	Note	2021 $	2020 $
Revenue	2.2	4,311,664	2,171,550
Government grants	2.3	370,463	209,580
Other income		2,625	16,493
Cost of sales		(3,509,703)	(1,561,650)
Other operating expenses		(7,456)	(5,093)
Marketing and business development		(218,529)	(42,596)
Personnel expenses	2.5	(1,031,925)	(270,644)
General and administration		(209,950)	(169,564)
Professional fees		(155,517)	(88,700)
Depreciation	3.1	(146,924)	(148,730)
Amortisation		(729)	-
Amortisation – right of use assets	3.2	(82,640)	(43,508)
Company reconstruction expenses		-	(214,823)
Other gains / (losses)		23	(43,277)
Results from operating activities		**(678,598)**	**(190,962)**
Finance income		127	-
Finance costs	2.4	(50,152)	(57,013)
Net finance costs		(50,025)	(57,013)
Loss before income tax		(728,623)	(247,975)
Income tax expense	2.6	-	-
Loss for the year		**(728,623)**	**(247,975)**
Total comprehensive loss for the year		(728,623)	(247,975)
Total comprehensive loss attributable to owners of the Company		**(728,623)**	**(247,975)**
Loss per share			
Basic and diluted (cents per share)	2.7	(2.33)	(1.74)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2021

	Note	2021 $	2020 $
Assets			
Cash and cash equivalents	4.1	533,304	42,395
Trade and other receivables	4.2	526,475	208,473
Inventory		5,000	5,000
Contract assets		-	78,300
Prepayments		41,721	22,417
Total current assets		1,106,500	356,585
Property, plant, and equipment	3.1	93,833	197,997
Right of use assets	3.2	201,726	225,026
Intangible assets		6,201	5,400
Other financial assets		18,581	-
Total non-current assets		320,341	428,423
Total assets		**1,426,841**	**785,008**
Liabilities			
Trade and other payables	4.3	463,055	96,388
Borrowings	5.2	57,552	294,166
Lease liabilities	5.3	113,058	76,807
Employee benefits	2.5	181,865	83,750
Total current liabilities		815,530	551,111
Borrowings	5.2	262,745	311,854
Lease liabilities	5.3	98,960	153,295
Employee benefits	2.5	51,459	36,532
Total non-current liabilities		413,164	501,681
Total liabilities		1,228,694	1,052,792
Net assets / (deficiency)		**198,147**	**(267,784)**
Equity			
Share capital	5.1	1,421,784	226,995
Reserves		(235)	-
Accumulated losses		(1,223,402)	(494,779)
Total equity / (deficiency)		**198,147**	**(267,784)**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2021

	Issued capital $	Predecessor accounting reserve $	Options reserve $	Accumulated losses $	Total equity $
Balance on 1 July 2019	160,080	-	-	(246,804)	(86,724)
Loss after income tax expense for the year	-			(247,975)	(247,975)
Total comprehensive loss for the year	-	-	-	(247,975)	(247,975)
Transactions with owners in their capacity as owners					
Contributions of equity (note 5.1)	66,915	-	-	-	66,915
Balance on 30 June 2020	**226,995**	**-**	**-**	**(494,779)**	**(267,784)**
Balance on 1 July 2020	226,995	-	-	(494,779)	(267,784)
Loss after income tax expense for the year	-	-	-	(728,623)	(728,623)
Total comprehensive loss for the year	-	-	-	(728,623)	(728,623)
Transactions with owners in their capacity as owners					
Contributions of equity (note 5.1)	1,194,789	-	-	-	1,194,789
Share-based payment transactions (note 6.1)	-	-	8,439	-	8,439
Transactions under common control (1)	-	(8,674)	-	-	(8,674)
Balance on 30 June 2021	**1,421,784**	**(8,674)**	**8,439**	**(1,223,402)**	**198,147**

(1) As a result of the common control transaction, and equity account called 'Predecessor Account Reserve' exists. This equity account represents the carrying value of the net liabilities acquired. See note 1.7 for further details of the acquisition.

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2021

	Note	2021 $	2020 $
Cash flows from operating activities			
Receipts from customers		4,116,638	1,820,083
Government grants	2.3	370,963	197,079
Cash paid to suppliers and employees		(4,678,077)	(2,243,345)
Interest received		127	-
Interest paid		(49,873)	(51,468)
Net cash used in operating activities	4.1(b)	(240,222)	(277,651)
Cash flows from investing activities			
Payments for property, plant, and equipment		(12,399)	(87,445)
Payments for intangible assets		(1,530)	(400)
Net cash used in investing activities		(13,929)	(87,845)
Cash flows from financing activities			
Proceeds from issue of shares and options		1,005,170	66,915
Proceeds from bank loans		-	250,000
Proceeds from related entity loans		-	185,863
Proceeds from director loans		44,579	275,718
Repayment of director loans		(25,000)	(279,083)
Proceeds from shareholder loans		23,545	140,000
Repayment of shareholder loans		-	(98,046)
Repayment of premium funding facilities		(73,851)	(61,391)
Repayment of chattels and mortgages		(105,491)	(37,646)
Repayment of right of use lease liabilities		(77,425)	(38,431)
Payment of capital raising costs		(44,100)	-
Payment of transaction costs related to loans		(2,367)	(1,717)
Net cash from financing activities		745,060	402,182
Net increase / (decrease) in cash and cash equivalents		490,909	36,686
Cash and cash equivalents at the beginning of the financial year		42,395	5,709
Cash and cash equivalents at the end of the financial year	4.1(a)	533,304	**42,395**

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

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
For the year ended 30 June 2021

SECTION 1 ABOUT THESE FINANCIAL STATEMENTS

The financial statements of RemSense Technologies Limited (the Company) and it's controlled entity (collectively known as "the Group") for the year ended 30 June 2021 were authorised for issue on 26 August 2021 in accordance with a resolution of the Directors. The directors have the power to amend and reissue the financial statements.

The Company is:

- a company limited by shares.
- incorporated and domiciled in Australia.
- an unlisted public company
- a for-profit entity for the purpose of preparing the financial statements.

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.

Its registered office is located at Suite 166, 580 Hay Street, Perth, WA, 6000.

The financial report is a general-purpose financial report, which:

- has been prepared in accordance, and complies, with the requirements of the Corporations Act 2001, Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).
- has been prepared on a historical cost basis, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.
- is presented in Australian dollars ($).
- presents reclassified comparative information if required for consistency with the current year's presentation.
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the Group and effective from reporting periods beginning on or before 1 July 2020. Refer to note 6.8 for further details.
- does not early adopt Accounting Standards and Interpretations that have been issued or amended but are not yet effective.

Basis of measurement and reporting conventions of capital re-organisation

On 14 April 2021, RemSense Technologies Limited ("REM") completed a transaction with the shareholders of RemSense Pty Ltd ("RPL") to acquire 100% of the share capital of RPL in exchange for 50,000,000 shares. In accordance with Australian Accounting Standards, the acquisition does not meet the definition of a business combination as REM was established for the sole purpose of facilitating the listing process and to acquire RPL by way of an equity swap. The shareholders of RPL received the same proportion of equity instruments in REM.

Basis of measurement and reporting conventions of capital re-organisation (continued)

Consequently, this financial report presents:

- the results of RemSense Pty Ltd for the period from 1 July 2020 to 13 April 2021
- the results of the consolidated Group for the period from 14 April 2021 to 30 June 2021, and
- the consolidated Group's financial position as at 30 June 2021.

The comparative financial information included in the Group's financial statements is that of RemSense Pty Ltd, not the Company. However, the capital structure of the legal acquirer (REM) is adopted in the financial report.

The accounting policies adopted are consistent with the accounting policies adopted in the last annual financial statements of RemSense Pty Ltd for the year ended 30 June 2020.

1.1 PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entity controlled by the Company (its subsidiary) made up to 30 June each year.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it 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 over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

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.

1.2 PARENT ENTITY INFORMATION

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 6.5.

1.3 GOING CONCERN

The consolidated financial statements have been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. On 30 June 2021, the Group had net assets of $198,147, a working capital surplus of $290,970 and cash at bank of $533,304.

The directors are aware that the Group's ability to continue as a going concern, and thereby pay its debts as and when they fall due, is contingent on the Company securing further working capital through capital raisings or long-term loans. These conditions indicate a material uncertainty that may cast a significant doubt about the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

1.3 GOING CONCERN (continued)

On 4 June 2021, the Company obtained In-Principal advice from the ASX to proceed with an IPO to raise $5 million (before costs) and listing.

The directors are therefore of the opinion that the use of the going concern basis is appropriate in the circumstances. Notwithstanding this assessment, there is material uncertainty regarding the outcomes of the future funding alternatives.

Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

The financial report does not contain any adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

1.4 FOREIGN CURRENCIES

The primary economic environment in which the Group operates is Australia. The financial statements are therefore presented in Australian dollars.

1.5 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, revenue, and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. Judgements estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Determination of variable consideration

Judgement is exercised in estimating variable consideration where services have a variable component. Revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised under the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, and forward-looking information that is available. The allowance for expected credit losses, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

1.5 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received, and the Group will comply with the attached conditions. In respect of COVID related government grants receiving during the year, the Group was deemed to be eligible to receive the grants under the conditions attached to the grants and have complied with the relevant conditions in order to recognised them as income during the year.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model, using the assumptions detailed in note 6.1.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Refer note 2.6.

Employee benefits provision

The liability for employee benefits expected to be settled more than 12 months from the reporting date is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been accounted for.

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 Group based on known information. This consideration extends to the nature of business development and the geographic regions in which the Group operates particularly the trials for the Virtual Reality Plant. 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 Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Capital Reorganisation

The acquisition of 100% of the issued capital of RemSense Pty Ltd by the Company, by way of issuing the shareholders of RemSense Pty Ltd fully paid shares in the Company, has been determined by management to be a capital reorganisation as the transaction does not meet the definition of a business. Capital reorganisation transactions are a complex accounting area because there are no specific applicable accounting standards to these types of transactions. In the absence of specific guidance, management has used the guidance in AASB 108 '*Accounting Policies, Change in Accounting Estimates and Errors* (para. 10) whereby management have used its judgement in developing and applying a relevant and reliable accounting policy using pre-combination book values to account for this transaction as no substantive economic change has occurred. Refer to note 1.7 for additional information.

1.6 CURRENT AND NON-CURRENT CLASSIFICATION

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle, it is held primarily for the purpose of trading, it is expected to be realised within 12 months after the reporting date, or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date. All other assets are classified as non-current.

A liability is classified as current when it is either expected to be settled in the Group's normal operating cycle, it is held primarily for the purpose of trading, it is due to be settled within 12 months after the reporting date, or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting date. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

1.7 COMMON CONTROL ENTITY

Accounting Policy

Predecessor accounting

Business combinations involving entities under common control are accounted for using the predecessor accounting method. Under this method:

- carrying values are not restated in the accounts of the acquiring entity, rather prior book values are maintained. As a result, no fair value adjustments are recorded on acquisition; and
- the carrying value of net assets acquired or liabilities assumed is recorded as a separate element of equity on consolidation.

Summary of Acquisition

On 19 March 2021, RemSense Technologies Limited was incorporated as a vehicle for listing RemSense Pty Ltd on the Australian Securities Exchange (ASX).

On 14 April 2021, the Company completed a transaction with the shareholders of RemSense Pty Ltd under common control to acquire 100% of the share capital in RemSense Pty Ltd in exchange for 50,000,000 ordinary shares in the Company.

Refer to Section 1 About these financial statements - Basis of measurement and reporting conventions, including capital reorganisation and note 1.5 Critical accounting judgements and estimates, for further information.

As at the date of acquisition, the assets and liabilities of the Company were as follows:

	$
Assets and liabilities at Acquisition Date	
Prepayments	2,380
Intercompany loan payable	(11,054)
Net liabilities of RemSense Technologies Limited at acquisition date	(8,674)

Predecessor Accounting Reserve	
Net liabilities of RemSense Technologies Limited at acquisition date	(8,674)
Predecessor Accounting Reserve	(8,674)

SECTION 2 RESULTS FOR THE YEAR

This section focuses on the results and performance of the Group, with disclosures including segment information, components of the operating loss, income tax, and loss per share.

2.1 OPERATING SEGMENTS

Accounting Policy

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of RemSense Technologies Limited.

The Group is organised into one operating segment, being technology development and systems engineering services across a range of markets and applications in Western Australia. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the CODM) in assessing performance and determining the allocation of resources.

The CODM reviews EBITDA (earnings before interest, tax, depreciation, and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements. The information reported to the CODM is on a quarterly basis.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 30 June 2020.

2.2 REVENUE

Accounting Policy

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods and services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Rendering of services
Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

2.2 REVENUE (continued)

Accounting Policy (continued)

Contract assets
Contract assets are recognised when the Group has transferred goods and services to the customer but where the Group is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

The Group's disaggregation of revenue from contracts with customers is as follows:

	2021 $	2020 $
Timing of revenue recognition		
Rendering of services transferred over time	3,768,315	1,780,679
Rendering of services transferred at a point in time	543,349	390,871
	4,311,664	2,171,550
Contract assets		
Accrued income	-	78,300

2.3 GOVERNMENT GRANTS

Accounting Policy

Government grants
Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received, and the Group will comply with the terms and conditions.

All other income is recognised when the amount can be reliably measured and control of the right to receive the income be passed to the Group.

	Note	2021 $	2020 $
Job Keeper allowance		322,450	117,000
PAYG cash flow boost		37,500	62,500
Business Events Grant program	(i)	10,513	-
Entrepreneur's Programme Grant		-	30,080
		370,463	**209,580**

(i) The Business Events Grant program encouraged businesses to attend trade shows and conferences within Australia and provided grants of up to 50% of costs incurred for participating at a pre-approved business to business event in Australia.

2.4 FINANCE COSTS

Accounting Policy

Interest income
Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs, including interest expense, are expensed in the period in which they are incurred.

	Note	2021 $	2020 $
Interest expense on financial liabilities measured at amortised cost			
Interest expense on bank loans	5.2	13,802	1,784
Interest expense on loans received from related parties	5.2	3,817	17,023
Interest expense on loans received from shareholders	5.2	3,511	15,288
Interest expense on chattels and mortgages	5.2	6,358	4,878
Interest expense on premium funding	5.2	5,273	4,954
Interest expense on lease liabilities	5.3	15,024	11,369
Other finance charges		2,367	1,717
Total finance costs		**50,152**	**57,013**

2.5 PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

Accounting Policy

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liabilities for annual and long service leave not expected to settle within 12 months of the reporting date is measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

2.5 PERSONNEL EXPENSES AND EMPLOYEE BENEFITS (continued)

The table below sets out personnel costs expensed during the year.

	Note	2021 $	2020 $
Directors' remuneration	6.3	467,160	235,936
Staff salaries		1,461,608	890,655
Superannuation expense		135,822	80,569
Annual leave expense		25,762	28,510
Long service leave expense		23,453	8,449
Payroll tax		45,548	1,275
Worker's compensation		10,770	7,367
Other associated personnel expenses		7,587	-
		2,177,710	1,252,761
Expensed in cost of sales		1,139,979	982,117
Expensed in marketing and business development		5,806	-
Expensed in personnel expenses		1,031,925	270,644
		2,177,710	1,252,761

The table below sets out employee benefits at the reporting date.

	2021 $	2020 $
Current		
Statutory superannuation contributions	12,281	-
Salary accrual	21,890	-
Liability for annual leave	111,411	83,750
Liability for long service leave	36,283	-
	181,865	83,750
Non-current		
Liability for long service leave	51,459	36,532

2.5 PERSONNEL EXPENSES AND EMPLOYEE BENEFITS (continued)

Amounts not expected to be settled within the next 12 months
The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current since the Group does not have an unconditional right to defer settlement. However, based on prior experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

	2021 $	2020 $
	25,838	25,955

2.6 INCOME TAX EXPENSE

Accounting Policy

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in as transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits, or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

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

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities, and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

2.6 INCOME TAX EXPENSE (continued)

Accounting Policy (continued)

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses, and assets are recognised net of the amount of, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(a) Amounts recognised in profit or loss

	2021 $	2020 $
Current tax expense	-	-
Deferred tax expense	-	-
Income tax expense	-	-
Loss from continuing operations before income tax	(728,623)	(247,975)
Tax at the Australian tax rate of 27.5% (2020: 27.5%)	(200,371)	(68,193)
Non-deductible expenses	31,804	4,770
Non-assessable income	(10,428)	(36,184)
Adjustment for prior periods	(23,207)	(15,105)
Timing differences	39,323	24,400
Tax losses not brought to account	162,879	90,312
Income tax expense	-	-

2.6 INCOME TAX EXPENSE (continued)

All unused tax losses were incurred by Australian entities.

Potential future income tax benefits of up to $224,989 (2020: $137,472) attributed to tax losses have not been brought to account.

The benefit of these tax losses will only be obtained if:

i) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised,
ii) the conditions for deductibility imposed by tax legalisation continue to be complied with,
iii) no changes in tax legislation adversely affect the Group in realising the benefit, and
iv) satisfaction of either the continuity of ownership or the same business test.

(c) Unrecognised deferred tax assets and liabilities

Deferred tax assets and liabilities have not been recognised in respect of the following items:

	2021 $	2020 $
Deferred tax liabilities		
Prepaid expenditure	(11,474)	(6,165)
Property, plant, and equipment	(25,804)	(16,155)
Intangible assets	(75)	-
	(37,353)	(22,320)
Deferred tax assets		
Capital raising costs – S40-880	10,605	-
Right of use assets	34,691	11,965
Trade and other payables	8,559	-
Employee benefits	58,145	33,077
Carry forward tax losses	224,989	137,472
	336,989	182,514
Net unrecognised deferred tax assets	299,636	160,194

2.7 LOSS PER SHARE

Accounting Policy

Basic earnings per share
Basic earnings per share is calculated by dividing the profit / (loss) attributable to the owners of RemSense Technologies Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

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

	2021 $	2020 $
Basic and diluted loss per share from continuing operations		
Loss after income tax attributable to owners of the Company	(728,623)	(247,975)
	Cents	**Cents**
Basic loss and diluted loss per share	(2.33)	(1.74)
	Number	**Number**
Weighted average number of ordinary shares		
Issued ordinary shares on 1 July	3,453,390	160
Effect of shares issued	27,856,055	14,230,574
Weighted average number of ordinary shares used in calculating basic and diluted loss per share	31,309,445	14,230,734

(i) The weighted average number of ordinary shares outstanding (the denominator of the EPS calculation) for the years ended 30 June 2021 and 30 June 2020 have been adjusted to reflect the capital reorganisation. The weighted average number of shares outstanding for the year ended 30 June 2021 is based on the weighted average number of shares of RemSense Technologies Limited outstanding in the period following the acquisition. Refer note 1.7 for further information.

SECTION 3 ASSETS AND LIABILITIES SUPPORTING OPERATIONS

This section focuses on the assets and liabilities which form the core of the ongoing business as well as capital and other commitments existing at the year end.

3.1 PROPERTY, PLANT AND EQUIPMENT

Accounting Policy

Plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on diminishing balance basis to write off the net cost of each item of property, plant, and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment	2 – 5 years
Mobile equipment and motor vehicles	8 years
Communication and computer equipment	2 – 6 years

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

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained earnings / accumulated losses.

3.1 PROPERTY, PLANT AND EQUIPMENT (continued)

	2021 $	2020 $
Plant and equipment – at cost	329,807	309,274
Less: accumulated depreciation	(268,194)	(136,502)
	61,613	172,772
Furniture and office equipment – at cost	2,062	2,062
Less: accumulated depreciation	(1,045)	(367)
	1,017	1,695
Communication and computer equipment – at cost	17,939	-
Less: accumulated depreciation	(8,619)	-
	9,320	-
Mobile equipment and motor vehicles – at costs	58,409	58,409
Less: accumulated depreciation	(40,792)	(34,879)
	17,617	23,530
Leasehold improvements – at costs	4,266	-
	93,833	197,997

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

	Plant & equipment $	Furniture & office Equipment $	Computer & comms Equipment $	Mobile Equipment & motor Vehicles $	Leasehold improve-ments $	Total $
Balance on 1 July 2019	117,687	-	-	31,374	-	**149,061**
Additions	238,881	2,062	-	-	-	**240,943**
Impairment	(43,277)	-	-	-	-	**(43,277)**
Depreciation expense	(140,519)	(367)	-	(7,844)	-	**(148,730)**
Balance on 30 June 2020	172,772	1,695	-	23,530	-	**197,997**
Additions	22,223	-	17,939	-	4,266	**44,428**
Disposals	(1,690)	-	-	-	-	**(1,690)**
Depreciation on disposals	22	-	-	-	-	**22**
Depreciation expense	(131,714)	(678)	(8,619)	(5,913)	-	**(146,924)**
Balance on 30 June 2021	**61,613**	**1,017**	**9,320**	**17,617**	4,266	**93,833**

3.2 RIGHT-OF-USE ASSETS

Accounting Policy

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except when included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

	2021 $	2020 $
Land and buildings – right of use	327,874	268,534
Less: accumulated amortisation	(126,148)	(43,508)
	201,726	225,026

Additions to the right-of-use assets during the year were $59,340.

The Group leases land and buildings for its offices and aerial imaging operations, under agreements of between three and five years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

SECTION 4 WORKING CAPITAL DISCLOSURES

This section focuses on the cash funding available to the Group and working capital position at year end.

4.1 CASH AND CASH EQUIVALENTS

Accounting Policy

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalent also includes, bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

(a) Reconciliation of cash recorded in Statement of Financial Position to Statement of Cash Flows

	2021 $	2020 $
Cash and cash equivalents in the statement of cash flows	533,304	42,395

(b) Reconciliation of cash flows from operating activities

	2021 $	2020 $
Cash flows from operating activities		
Loss for the period	(728,623)	(247,975)
Adjustments for:		
Finance expense	2,367	1,717
Depreciation and amortisation	230,293	192,238
Equity-settled share-based payments	8,439	-
Gain on sale of property, plant, and equipment	(23)	-
Impairment of property, plant, and equipment	-	43,277
Company reconstruction expenses	-	22,611
Change in trade and other receivables	(327,787)	(88,458)
Change in prepayments	(16,923)	(8,020)
Change in inventories	-	5,000
Change in contract assets	78,300	(78,300)
Change in other operating assets	(18,581)	-
Change in trade and other payables	367,088	(186,796)
Change in interest bearing liabilities	52,186	65,218
Change in employee benefits provision	113,042	1,837
Net cash used in operating activities	(240,222)	(277,651)

(c) Non-cash investing and financing activities

	2021 $	2020 $
Additions to the right-of-use assets	59,340	153,281
Additions to property, plant, and equipment by means of leases	32,029	153,498

4.1 CASH AND CASH EQUIVALENTS (continued)

(d) Changes in liabilities arising from financing activities

	Bank loans $	Director loans $	Shareholder loans $	Chattels & mortgages $	Premium funding $	Right of use assets $	Related entity loans $	Total $
Balance on 1 July 2019	-	12,153	-	27,908	-	-	156,794	196,855
Net cash from / (used in) financing activities	250,000	(3,364)	41,954	(37,646)	(61,391)	(38,432)	185,863	336,984
Premium funding facility	-	-	-	-	61,391	-	-	61,391
Acquisition of property, plant, and equipment	-	-	-	153,498	-	-	-	153,498
Right of use lease liabilities	-	-	-	-	-	268,534	-	268,534
Company reconstruction expenses	-	118,358	43,159	-	-	-	(342,657)	(181,140)
Balance on 30 June 2020	250,000	127,147	85,113	143,760	-	230,102	-	836,122
Net cash from / (used in) financing activities	-	19,579	23,546	(105,492)	(73,851)	(77,424)	-	(213,642)
Premium funding facility	-	-	-	-	73,851	-	-	73,851
Acquisition of property, plant, and equipment	-	-	-	32,029	-	-	-	32,029
Interest on related party and shareholder loans	-	(988)	(1,100)	-	-	-	-	(2,088)
Right of use lease liabilities	-	-	-	-	-	59,340	-	59,340
Supplier invoice to extinguish a debt	-	(19,578)	-	-	-	-	-	(19,578)
Shares issued to extinguish a debt	-	(126,160)	(107,559)	-	-	-	-	(233,719)
Balance on 30 June 2021	250,000	-	-	70,297	-	212,018	-	532,315

4.2 TRADE AND OTHER RECEIVABLES

Accounting Policy

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 14 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

	2021 $	2020 $
Current		
Trade receivables	514,475	192,723
Other receivables	12,000	15,750
	526,475	208,473

Provision for expected credit losses

The Group has not recognised a provision for expected credit losses for the year ended 30 June 2021 as credit risk has not increased significantly since initial recognition. Payment of invoices takes on average 30 days (2020: 24 days).

There were no trade receivable impairment losses for the year ending 30 June 2021 (2020: $nil).

The ageing of trade receivables is as follows:

	2021 $	2020 $
Not overdue	513,430	190,608
0 to 3 months overdue	1,045	2,115
	514,475	192,723

Note 6.2 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses.

4.3 TRADE AND OTHER PAYABLES

Accounting Policy

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

	Note	2021 $	2020 $
Current			
Trade payables		266,614	62,602
Other payables		122,291	2,100
Authorised government agencies		74,150	31,687
		463,055	96,389

Refer to note 6.2 for further information on financial instruments.

SECTION 5 EQUITY AND FUNDING

This section focuses on the debt and equity funding available to the Group at year end, most notably covering share capital and loans and borrowings.

5.1 CAPITAL AND RESERVES

Accounting Policy

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Share capital

	Ordinary shares			
	Number of shares		Amount in $	
	2021	2020	2021	2020
Balance on 1 July	**3,453,390**	**160**	**226,995**	**160,080**
Issue of fully paid shares for cash	127,155	905,560	270,170	66,915
Issue of fully paid shares in satisfaction of shareholder loans (1)	89,965	-	233,719	-
Less: adjustment for predecessor accounting (2)	(3,670,510)	-	-	-
Issue of shares to RPL shareholders (3)	50,000,000	-	-	-
Issue of fully paid shares for cash	4,593,750	-	735,000	-
Share issued on incorporation of REM	1	-	-	-
A 15,924 to 1 stock split of shares	-	2,547,670	-	-
Capital raising costs	-	-	(44,100)	-
Balance on 30 June	**54,593,751**	**3,453,390**	**1,421,784**	**226,995**

(1) As disclosed in note 5.2, related parties and shareholders provided cash loans to the RPL which were extinguished via the issue of fully paid shares.

(2) The application predecessor accounting for the acquisition and consolidation of the common controlled entity: RemSense Technologies Limited required the value of the RemSense Pty Ltd shares on issued as at 13 April 2021.

(3) The Company issued 50,000,000 fully paid ordinary shares to RemSense Pty Ltd shareholders. Refer to note 1.7 for further information.

Predecessor accounting reserve

The predecessor accounting reserve arises from the capital reorganisation and records the net liabilities of RemSense Technologies Limited as at the acquisition date of 14 April 2021. Refer to note 1.7 for further information.

5.2 LOANS AND BORROWINGS

Accounting Policy

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

	Book value 2021 $	Fair value 2021 $	Book value 2020 $	Fair value 2020 $
Current				
Loans received from directors	-	-	127,148	127,148
Loans received from shareholders	-	-	85,113	85,113
Chattel mortgage	57,552	57,552	81,905	81,905
Balance	**57,552**	**57,552**	**294,166**	**294,166**
Non-current				
Bank loans	250,000	250,000	250,000	250,000
Chattel mortgage	12,745	12,745	61,854	61,854
Balance	**262,745**	**262,745**	**311,854**	**311,854**

Financing arrangements
Unrestricted access was available at the reporting date to the following lines of credit:

	Note	2021 $	2020 $
Total facilities			
Related party loans		-	150,000
Shareholder loans	(i)	-	140,000
Bank loans	(ii)	250,000	250,000
Used at the reporting date			
Related party loans		-	127,148
Shareholder loans		-	85,113
Bank loans		250,000	250,000
Unused at the reporting date			
Related party loans		-	22,852
Shareholder loans		-	54,887
Bank loans		-	-

(i) A shareholder provided cash loans to RPL, accruing interest at 15% per annum, pro rata. $38,046 was repaid on 15 May 2020 including interest accrued to 30 April 2020. Effective 30 April 2020, new terms were agreed, whereby interest would accrue at 6% per annum for the balance of this loan and $39,351 assigned by Sci Aero Group previously earning interest at 8% per annum. Interest expense on these combined loans accruing interest at 6% was $$3,511 (2020: $1,886) and the balance outstanding was $nil (2020: $85,113).

(ii) RPL negotiated a three years' interest only Business Loan secured against the business, its assets, and personal guarantees from Steve Brown, John Clegg and Richard Pace, directors of RPL. The loan expires on 28 April 2023. Interest expense to 30 June 2021 was $13,802 (2020: $1,784) and the balance outstanding was $250,000 (2020: $250,000).

5.2 LOANS AND BORROWINGS (continued)

	Bank loans $	Loans from directors [2] $	Loans from shareholders $	Chattel mortgage $	Premium funding $	Loans from a related entity $	Total $
Balance on 1 July 2019	-	12,153	-	27,908	-	156,794	196,855
Loans and borrowings received	250,000	275,719	140,000	-	-	185,863	851,582
Financing of chattel mortgage	-	-	-	153,498	-	-	153,498
Financing of premium funding facility	-	-	-	-	61,391	-	61,391
Transfer of loans on company reconstruction	-	115,207	41,273	-	-	(156,480)	-
Company reconstruction expenses	-	-	-	-	-	(146,394)	(146,394)
Interest charged	1,784	17,023	15,288	4,878	4,954	-	43,927
Less: repaid [1]	(1,784)	(292,954)	(111,448)	(42,525)	(66,345)	(39,783)	(554,839)
Balance on 30 June 2020	250,000	127,148	85,113	143,759	-	-	606,020
Loans and borrowings received	-	44,578	23,545	-	-	-	68,123
Financing of chattel mortgage	-	-	-	32,029	-	-	32,029
Financing of premium funding facility	-	-	-	-	73,851	-	73,851
Transfer of loans on resignation of a director	-	(26,716)	26,716	-	-	-	-
Extinguish loan through issue of shares	-	(99,444)	(134,275)	-	-	-	(233,719)
Extinguish loan through issue of supplier invoice	-	(19,578)	-	-	-	-	(19,578)
Interest charged	13,802	3,817	3,511	6,358	5,273	-	32,761
Less repaid [1]	(13,802)	(29,805)	(4,610)	(111,849)	(79,124)	-	(239,190)
Balance on 30 June 2021	**250,000**	**-**	**-**	**70,297**	**-**	**-**	**320,297**

(1) amounts repaid include interest and loan establishment costs

(2) refer to note 6.3 for further details.

5.3 LEASE LIABILITIES

Accounting Policy

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that to not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following:

- future lease payments arising from a change in an index, or a rate used
- residual guarantee
- lease term, or
- certainty of a purchase option and termination penalties.

When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Incremental borrowing rate (IBR)

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security, and economic environment. The Group uses and IBR of between 4.40% and 8.50%.

	2021 $	2020 $
Opening balance	230,102	-
Recognised on 1 July 2019 on adoption of AASB 16	-	115,253
Additions	59,340	153,280
Interest charged	15,024	11,369
Less principal and interest repayments	(92,448)	(49,800)
Lease liabilities included in the statement of financial position	**212,018**	**230,102**
Current	113,058	76,807
Non-current	98,960	153,295
	212,018	**230,102**

Refer to note 6.2 for further information on financial instruments.

SECTION 6 OTHER DISCLOSURES

The disclosures in this section focus on share schemes in operation and financial risk management of the Group. Other mandatory disclosures, such as details of related party transactions, can also be found here.

6.1 SHARE-BASED PAYMENTS

Accounting Policy

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that considers the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase inequity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vet and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying the Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether that market condition has been met or not, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee, and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

6.1 SHARE-BASED PAYMENTS (continued)

The share-based payment expense included within the consolidated financial statements can be broken down as follows:

	2021 $	2020 $
Expensed in personnel expenses (director remuneration)		
Options issued to directors	8,439	-

Share-based payment programme

The Company has adopted an Employee Share Option Scheme ("ESOS"). Under the ESOS, the Company may grant options and rights to Group eligible employees and consultants to acquire securities to a maximum of 10% of the Company's total issued ordinary shares at the date of the grant. The fair value of share options granted is measured using the Black Scholes option pricing model.

The options and rights vest on a time scale as specified in the ESOS and are granted for no consideration. Options and rights granted under the plan carry no dividend or voting rights. When exercisable, each option is converted into one ordinary share. The maximum term of an option is five years from grant date and the exercise price is settled in cash.

Options will not be transferable and will not be listed on the ASX unless the offer provides otherwise or the Board in its absolute discretion approves.

6.1 SHARE-BASED PAYMENT PLANS (continued)

Options

On 30 June 2021, a summary of the Group options issued and not exercised under the share-based payment programme are as follows. Options are settled by the physical delivery of shares:

Grant date	Vesting date	Expiry date	Exercise Price (cents)	Balance on date of acquisition [(1)]	Granted during the year	Exercised during the year	Expired / forfeited during the year	Balance at the end of the year	Vested and exercisable at the end of the year
19-Mar-21	19-Mar-21	30-Jun-23	25	4,450,000	-	-	-	4,450,000	4,450,000
20-Apr-21	30-Jun-23	30-Jun-24	30	-	1,250,000	-	-	1,250,000	-
Total				**4,450,000**	**1,250,000**	**-**	**-**	**5,700,000**	**4,450,000**
Weighted average exercise price (cents)				25.00	30.00	-	-	26.10	25.00

(1) Four shareholders instrumental in managing the Company towards IPO were granted options in the Company prior to the capital reorganisation on 14 April 2021. These were expensed prior to acquisition.

At the exercise date, the weighted average remaining contractual life of options outstanding at year end was 2.22 years.

Key valuation assumptions made at valuation date under the Black & Scholes option pricing model are summarised below:

	Number of Options	**Exercise Price (cents)**	**Grant date**	**Expiry Date**	**Life of the Options (years)**	**Volatility**	**Risk free Rate**	**Fair value at grant date (cents)**	**Share price at grant date (cents)**
Tranche 1	4,450,000	25	19-Mar-21	30-Jun-23	2.28	95%	0.10%	7.48	16.00
Tranche 2	1,250,000	30	20-Apr-21	30-Jun-24	3.20	95%	0.10%	7.62	16.00

No options were issued during the year ended 30 June 2020.

6.2 FINANCIAL INSTRUMENTS

Accounting Policy

Recognition and derecognition
Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled, or expires.

Classification and initial measurement of financial assets
Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

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

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

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.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

Subsequent remeasurement of financial assets
<u>Financial assets at amortised cost</u>
Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets to 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 costs using the effective interest method.

6.2 FINANCIAL INSTRUMENTS (continued)

Accounting Policy (continued)

Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as listed bonds that were previously classified as held-to-maturity under AASB 139.

Impairment of financial assets
AASB 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaced AASB 139's 'incurred loss 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, contract assets recognised and measured under AASB 15 and loan commitments that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead, the Group 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 ('Level 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Level 2').
- 'Level 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 whilst 'lifetime expected credit losses' are recognised for the second category. The Group does not have any material expected credit losses.

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

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators, and forward-looking information to calculate the expected credit losses using a provision matrix.

Classification and measurement of financial liabilities
The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and where applicable, adjusted for transaction costs unless the Group 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 designation at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

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.

6.2 FINANCIAL INSTRUMENTS (continued)

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from 2020.

The capital structure of the Group consists of cash and cash equivalents, borrowings, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The Group is not subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax and general administrative outgoings.

Financial risk management objectives

The Group is exposed to market risk (including foreign currency exchange rate risk and interest rate risk), credit risk and liquidity risk.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed on a continuous basis to reflect changes in market conditions and the Group's activities. The Group does not trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates.

There has been no change to the Group's exposure to market risks or the manner it manages and measures the risk from the previous period.

Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

The Group's exposure to interest rate on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate risk sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the balance date.

At balance date, if interest rates had been 100 points higher or lower and all other variables were held constant, the Group's profit or loss would increase / (decrease) by $2,500.

The Group's sensitivity to interest rates has decreased during the year mainly due to the reduction in variable rate debt instruments.

6.2 FINANCIAL INSTRUMENTS (continued)

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties, confirming references, and setting appropriate credit limits. The maximum exposure to credit risk at the reporting date to recognise financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes the financial statements. The Group does not hold any collateral.

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected credit loss rates are based on the payment profiles of sales over a period of 24 months before 30 June 2021 and the corresponding historical credit losses experienced within this period.

The loss allowance on all financial assets is measured by considering the probability of default. Receivables are considered to be in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates the Group is unlikely to receive the outstanding contractual amounts in full before considering any credit enhancements held by the Group.

The historical loss rates are adjusted to reflect current and forward-looking information has adopted a lifetime expected credit loss allowance in estimating expected credit losses to trade receivables through a matrix using overdue days. This provision is considered representative across all customers based on recent sales experience, historical collection rates and forward-looking information that is available. As disclosed in note 4.2, no provision for expected credit loss has been made.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity, and a failure to make contractual payments for a period greater than one year.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group’s short, medium, and long-term funding and liquidity management requirements.

The Group manages liquidity risk by maintaining adequate banking and borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

6.2 FINANCIAL INSTRUMENTS (continued)

Liquidity risk management (continued)

Non-derivative financial liabilities
The following table details the Group's expected contractual maturities for its non-derivative financial liabilities.

These have been drawn up based on undiscounted contractual maturities of the financial liabilities based on the earliest date the Group can be required to repay.

The table include both interest and principal cash flows.

	Weighted average interest rate %	Less than 6 months $	6 months to 1 year $	1 – 5 years $
30 June 2021				
Trade and other payables (including salary and superannuation liabilities)	n/a	503,762	-	-
Fixed interest rate instruments (including right of use lease liabilities)	3.33	98,357	72,252	111,706
Variable interest rate instruments (based on scheduled repayments)	2.70	-	-	250,000
		602,119	**72,252**	**361,706**
30 June 2020				
Trade and other payables	n/a	96,388	-	-
Fixed interest rate instruments (including right of use lease liabilities)	4.66	77,825	293,148	215,149
Variable interest rate instruments (based on scheduled repayments)	1.72	-		250,000
		174,213	**293,148**	**465,149**

Fair value measurement

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy.

The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers

There have been no transfers between the levels of the fair value hierarchy during the year ended 30 June 2021.

6.2 FINANCIAL INSTRUMENTS (continued)

Not measured at fair value

The Group has various financial instruments which are not measured at fair value in the statement of financial position.

The Directors consider that the carrying amounts of current receivables, current payables and current borrowings are a reasonable approximation to their fair values.

The methods and valuation techniques used for the purposes of measuring fair values are unchanged compared to the previous reporting period.

6.3 RELATED PARTIES

Accounting Policy

Key management personnel compensation

Directors' remuneration is expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount because of past service provided by the employee and the obligation can be estimated reliably.

(a) Key management personnel compensation

Key management personnel compensation comprises the following:

	2021 $	2020 $
Short-term employee benefits	394,777	214,448
Long-term employee benefits	27,757	2,582
Post-employment benefits	36,187	18,906
Share-based payments – options	8,439	-
	467,160	235,936

6.3 RELATED PARTIES (continued)

(b) Other key management personnel transactions

Several key management personnel, or their related parties, hold positions in other companies that result in them having control or significant influence over these companies.

A number of these companies transacted with the Group during the year. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions to non-key management personnel related companies on an arm's length basis.

Steve Brown

Imaging Properties Pty Ltd, a company for which Steve Brown is a Director, received $43,336 (2020: $41,655) in payment for the commercial, arms-length lease and variable outgoings of the Gibberd Road, Balcatta, premises. The balance outstanding on 30 June 2021 was $3,848 (2020: $3,848).

During the prior year, Fiona Brown, a related party to Steve Brown, provided cash loans to the RPL, accruing interest at 15% per annum, pro rata. This loan replaced the $150,000 overdraft facility provided by Steve Brown. On 18 May 2020, the outstanding balance of $44,579 was assigned to Steve Brown as part of the company reconstruction in 2020. The new loan accrued interest at 6% per annum, pro rata.

On 11 December 2020 $25,000 of the principal balance outstanding was extinguished through the issue of 8,621 fully paid shares at $2.90 per share. The balance of the loan was extinguished through the issue of 8,439 fully paid shares at $2.32 per share on 12 March 2021.

On 14 December 2020, Fiona Brown provided an additional cash loan of $25,000 which was repaid in full on 16 December 2020. Another cash loan for $19,578 was provided on 30 March 2021 and repaid on 6 April 2021. Both loans accrued interest at 6% p.a. Interest expense to 30 June 2021 was $1,498 (2020: $14,314). The balance outstanding on 30 June 2021 was $nil (2020: $45,021).

Fiona Brown received $40,986 (2020: $33,332) in salary and on-costs for her role as Administration and Finance Officer.

Ross Taylor

Jamanaro Pty Ltd, a company for which Ross Taylor is a Director, received $850 (2020: $nil) in payment for commercial, arms-length consulting services. The balance outstanding on 30 June 2021 was $850 (2020: $nil).

Richard Pace

V R Pace Corporation Pty Ltd, a company for which Richard Pace is a Director, received $12,500 (2020: $13,750) in payment for commercial, arms-length marketing services. The balance outstanding on 30 June 2021 was $nil (2020: $1,375).

As part of the company reconstruction in 2020, loans from a company related to Richard were assigned to RPL. As per a shareholder agreement, Richard Pace provided additional cash loans to increase his liability in line with his respective percentage equity, accruing interest at 6%. Interest expense to 30 June 2021 was $2,319 (2020: $1,817). The principal balance of $54,866 outstanding on 12 March 2021 was extinguished through the issue of 23,649 fully paid shares at $2.32 per share. Richard Pace resigned as a director on 5 May 2021.

6.3 RELATED PARTIES (continued)

(c) Other related party transactions

The following transactions occurred with related parties during the operational restructure as disclosed in the Review of Operations:

	2021 $	2020 $
Revenue for services - Sci Aero Technology Pty Ltd	-	(1,741,680)
Loans from Sci Aero Group Pty Ltd	-	33,665
Loans from Sci Aero Technology Pty Ltd	-	152,198

The balance outstanding from these related entities at 30 June 2021 was $nil (2020: nil).

6.4 SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities, and results of the following wholly owned subsidiary in accordance with the accounting policy described in note 1.1:

Name of subsidiary	Place of incorporation	Equity Interest	
		2021 %	2020 %
RemSense Pty Ltd	Australia	100	-

Balances and transactions between the Company and its subsidiary, which is a related party of the Company, have been eliminated on consolidation.

6.5 PARENT COMPANY DISCLOSURES

Accounting Policy

The accounting policies of the parent entity, which has been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements.

The parent entity of the Group was RemSense Technologies Limited. Set out below is the supplementary information about the parent entity from incorporation on 19 March 2021 until 30 June 2021:

	2021 $	2020 $
Result of the parent entity		
Loss for the year	(646,000)	-
Total comprehensive loss for the year	**(646,000)**	**-**
Financial position of parent entity at year end		
Current assets	454,707	-
Total assets	**536,082**	**-**
Current liabilities	(119,835)	-
Total liabilities	**(150,060)**	**-**
Total equity of the parent entity comprising of:		
Share capital	690,900	-
Equity-settled benefits reserve	341,122	-
Accumulated losses	(646,000)	-
Total equity / (deficiency)	**386,022**	**-**

6.6 AUDITORS' REMUNERATION

During the financial year the following fees were paid or payable for services provided by BDO Audit (WA) Pty Ltd, the auditor of the Company and its network firms:

	2021 $	2020 $
BDO Audit (WA) Pty Ltd		
Audit and other assurance services		
Audit and review of financial reports	55,000	-
Total Auditor's Remuneration	**55,000**	**-**

On 25 May 2021, BDO Corporate Finance were engaged to perform an Independent Limited Assurance Report ("ILAR") to assist with the Company in listing on the ASX. The fee estimate is $17,000 with no expense incurred up to 30 June 2021.

6.7 MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 3 August 2021, the Board approved the issue of 750,000 options to employees on the following terms and conditions:

Exercise price	30 cents	**Vesting date**	30-Jun-23
Volatility	95%	**Expiry date**	30-Jun-24
Risk free rate	0.16%	**Share price on grant date**	16 cents
Fair value on grant date	7.17 cents		

The impact of the Coronavirus (COVID-19) pandemic is ongoing, and 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.

Other than as disclosed above, there have been no matters or circumstances have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations of the Group, the results of these operations, or the state of affairs of the Group in future financial years.

6.8 NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The Group has adopted all new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to its operations and effective for an accounting period on or after 1 July 2020. New and revised standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

AASB 2018-6	*Amendments to Australian Accounting Standards – Definition of a Business*
AASB 2018-7	*Amendments to Australian Accounting Standards – Definition of Material*
AASB 2019-1	*Amendments to Australian Accounting Standards – References to the Conceptual Framework*
AASB 2019-5	*Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards not yet issued in Australia*

The Directors have determined that there is no material impact on the new and revised Standards and Interpretations on the Group and, therefore, no material change is necessary to the Group accounting policies.

6.9 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

At the date of authorisation of these consolidated financial statements, the Group has not applied the new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective. Based on a preliminary review of the standards and amendments, the Directors do not anticipate a material change to the Group's accounting policies, however, further analysis will be performed when the relevant standards are effective.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of RemSense Technologies Limited, we state that:

In the directors' opinion:

1. the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001, and other mandatory professional reporting requirements.
2. the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in *Section 1 – 'About these financial statements'*.
3. the attached financial statements and notes give a true and fair view of the Group's financial position as of 30 June 2021 and of its performance for the financial year ended on that date; and
4. 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 has been made after receiving the declarations required to be made to the Directors in accordance with section 295(a) of the Corporations Act 2001 for the year ended 30 June 2021.

On behalf of the Board

STEVE BROWN
Managing Director

26 August 2021
Perth

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INDEPENDENT AUDITOR'S REPORT

To the members of RemSense Technologies Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of RemSense Technologies Limited (the Company) and its subsidiary (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and

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

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *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 our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1.3 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about 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. Our opinion is not modified in respect of this matter.

BDO

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Revenue from contracts with customers

Key audit matter	*How the matter was addressed in our audit*
The Group generates revenue from the provision of engineering and technology development services, aerial imaging and virtual reality. The Group is required to record revenue in accordance with the accounting standard AASB 15: *Revenue from Contracts with Customers (“AASB 15”).* The Group’s disclosure relating to revenue recognition are included the summary of accounting policies in Note 2.2 of the financial statements. This was considered a key audit matter given the significant of revenue to the financial report.	Our procedures included, but were not limited to the following: • Assessing the Group’s revenue recognition policy for compliance with Australian Accounting Standards, in particular AASB 15 *Revenue from Contracts with Customers;* • Selecting a sample of sales transactions and open purchase orders around year-end to ensure that they have been recognised in the correct accounting period; • Selecting a sample of sales transactions to ensure that they have been recognised in accordance with AASB 15; and • Assessing the adequacy of the related disclosures in Note 2.2 of the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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 and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group 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 has 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:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 14 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of RemSense Technologies Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

BDO

Dean Just

Director

Perth, 26 August 2021