

Broo Limited
Appendix 4D
Half-year report

1. Company details

Name of entity: Broo Limited
ACN: 060 793 099
Reporting period: For the half-year ended 31 December 2021
Previous period: For the half-year ended 31 December 2020

2. Results for announcement to the market

| | | | \$ |
|--|----|-----------|-------------|
| Revenues from ordinary activities | up | 8.5% to | 566,363 |
| Loss from ordinary activities after tax attributable to the owners of Broo Limited | up | 183.3% to | (2,936,546) |
| Loss for the half-year attributable to the owners of Broo Limited | up | 183.3% to | (2,936,546) |

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The loss for the consolidated entity after providing for income tax amounted to \$2,936,546 (31 December 2020: \$1,036,723).

3. Net tangible assets

| | Reporting period Cents | Previous period Cents |
|---|------------------------------|-----------------------------|
| Net tangible assets per ordinary security | <u>0.11</u> | <u>0.12</u> |

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

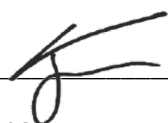
The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

11. Attachments

Details of attachments (if any):

The Interim Report of Broo Limited for the half-year ended 31 December 2021 is attached.

12. Signed

Signed  _____
Kent Grogan
Executive Chairman

Date: 28 February 2022

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BROO LIMITED

**HALF
YEAR
REPORT**

31 DEC 2021



BROO Limited ACN 060 793 099

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Victoria, 3500 Australia

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Broo Limited
Directors' report
31 December 2021

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Broo Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2021.

Directors

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

Kent Grogan
Mathew Boyes
Matthew Newberry (resigned 22 December 2021)
David Zhu (appointed 15 October 2021)

Principal activities

During the financial half-year the principal continuing activities of the consolidated entity consisted of:

- production packaged and draught beer Australia; and
- management of hospitality venues.

Dividends

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

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$2,936,546 (31 December 2020: \$1,036,723).

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial half-year

On 21 January 2022, the company issued 6,326,666 fully paid ordinary shares valued at 1.5 cents per share to settle accrued directors' fees.

On 21 January 2022, the company issued 30,000,000 options over ordinary shares to a corporate advisor. The options have an exercise price of 2.5 cents and expire on 21 January 2025. The options are valued at \$159,893, and have already been recognised in the financial statements.

On 21 January 2022, the company issued 5,000,000 Class A and 5,000,000 Class B performance rights to the company's Chief Executive Officer. The performance milestone for the Class A performance rights is consolidated revenue of \$10,000,000 in financial year 2022 and \$15,000,000 for the Class B rights.

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.


Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Broo Limited
Directors' report
31 December 2021

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Kent Grogan
Executive Chairman

28 February 2022

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**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

As lead auditor for the review of Broo Limited for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Broo Limited and controlled entities.



George Georgiou FCA
Managing Partner
Connect National Audit Pty Ltd
ASIC Authorised Audit Company No.: 521888
Melbourne, Victoria
Date: 28 February 2022

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Broo Limited
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31 December 2021

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General information

The financial statements cover Broo Limited as a consolidated entity consisting of Broo Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Broo Limited's functional and presentation currency.

Broo Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

20 Langtree Avenue
Mildura VIC 3500

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 February 2022.

Broo Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2021

| | Note | Consolidated Dec 2021 \$ | Consolidated Dec 2020 \$ |
|--|------|--------------------------------|--------------------------------|
| Revenue | 4 | 566,363 | 475,161 |
| Other income | 5 | 341,736 | 196,366 |
| Expenses | | | |
| Cost of sales | | (804,225) | (463,935) |
| Marketing | | (84,321) | (44,036) |
| Impairment of property, plant and equipment | | (1,292,361) | - |
| Occupancy | | (291,702) | (183,230) |
| Administration | | (928,873) | (904,071) |
| Finance costs | | (443,163) | (153,681) |
| Loss before income tax expense from continuing operations | | (2,936,546) | (1,077,426) |
| Income tax expense | | - | - |
| Loss after income tax expense from continuing operations | | (2,936,546) | (1,077,426) |
| Profit after income tax expense from discontinued operations | | - | 40,703 |
| Loss after income tax expense for the half-year attributable to the owners of Broo Limited | | (2,936,546) | (1,036,723) |
| Other comprehensive income for the half-year, net of tax | | - | - |
| Total comprehensive income for the half-year attributable to the owners of Broo Limited | | <u>(2,936,546)</u> | <u>(1,036,723)</u> |
| Total comprehensive income for the half-year is attributable to: | | | |
| Continuing operations | | (2,936,546) | (1,036,723) |
| Discontinued operations | | - | - |
| | | <u>(2,936,546)</u> | <u>(1,036,723)</u> |
| | | Cents | Cents |
| Earnings per share for loss from continuing operations attributable to the owners of Broo Limited | | | |
| Basic earnings per share | 17 | (0.31) | (0.13) |
| Diluted earnings per share | 17 | (0.31) | (0.13) |
| Earnings per share for loss attributable to the owners of Broo Limited | | | |
| Basic earnings per share | 17 | (0.31) | (0.12) |
| Diluted earnings per share | 17 | (0.31) | (0.12) |

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

Broo Limited
Statement of financial position
As at 31 December 2021

| | | Consolidated | |
|---|-------------|---------------------|-------------------------------|
| | Note | Dec 2021 | Restated June 2021 |
| | | \$ | \$ |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 54,690 | 115,241 |
| Trade and other receivables | 6 | 1,750,695 | 349,829 |
| Inventories | 7 | 1,243,635 | 967,923 |
| Other | | 47,220 | 83,251 |
| | | <u>3,096,240</u> | <u>1,516,244</u> |
| Assets of disposal groups classified as held for sale | 8 | 4,747,822 | 2,123,404 |
| Total current assets | | <u>7,844,062</u> | <u>3,639,648</u> |
| Non-current assets | | | |
| Property, plant and equipment | | 83,449 | 1,821,391 |
| Right-of-use assets | | - | 2,363,751 |
| Intangibles | | 219,580 | 219,580 |
| Deferred tax | | 1,397,914 | 1,397,914 |
| Total non-current assets | | <u>1,700,943</u> | <u>5,802,636</u> |
| Total assets | | <u>9,545,005</u> | <u>9,442,284</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 9 | 3,275,550 | 2,887,210 |
| Borrowings | 10 | 2,952,771 | 758,907 |
| Lease liabilities | | 84,644 | 365,192 |
| Employee benefits | | 133,961 | 158,062 |
| | | <u>6,446,926</u> | <u>4,169,371</u> |
| Liabilities directly associated with assets classified as held for sale | 11 | 4,138,878 | 1,916,565 |
| Total current liabilities | | <u>10,585,804</u> | <u>6,085,936</u> |
| Non-current liabilities | | | |
| Lease liabilities | | - | 2,082,569 |
| Employee benefits | | - | 5,698 |
| Total non-current liabilities | | <u>-</u> | <u>2,088,267</u> |
| Total liabilities | | <u>10,585,804</u> | <u>8,174,203</u> |
| Net assets/(liabilities) | | <u>(1,040,799)</u> | <u>1,268,081</u> |
| Equity | | | |
| Issued capital | | 22,846,937 | 22,846,937 |
| Reserves | 12 | 921,517 | 293,851 |
| Accumulated losses | | (24,809,253) | (21,872,707) |
| Total equity/(deficiency) | | <u>(1,040,799)</u> | <u>1,268,081</u> |

Refer to note 3 for detailed information on Restatement of comparatives.

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

Broo Limited
Statement of changes in equity
For the half-year ended 31 December 2021

| Consolidated | Reserves | Contributed | Accumulated | Total equity |
|--|-----------------|--------------------|---------------------|----------------------|
| | \$ | equity | losses | \$ |
| | | \$ | \$ | |
| Balance at 1 July 2020 | 293,851 | 18,898,308 | (20,608,415) | (1,416,256) |
| Loss after income tax expense for the half-year | - | - | (1,036,723) | (1,036,723) |
| Other comprehensive income for the half-year, net of tax | - | - | - | - |
| Total comprehensive income for the half-year | - | - | (1,036,723) | (1,036,723) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Contributions of equity, net of transaction costs | - | 3,965,131 | - | 3,965,131 |
| Balance at 31 December 2020 | <u>293,851</u> | <u>22,863,439</u> | <u>(21,645,138)</u> | <u>1,512,152</u> |
| Consolidated | Reserves | Contributed | Accumulated | Total |
| | \$ | equity | losses | deficiency in |
| | | \$ | \$ | equity |
| | | | | \$ |
| Balance at 1 July 2021 | 293,851 | 22,846,937 | (21,872,707) | 1,268,081 |
| Loss after income tax expense for the half-year | - | - | (2,936,546) | (2,936,546) |
| Other comprehensive income for the half-year, net of tax | - | - | - | - |
| Total comprehensive income for the half-year | - | - | (2,936,546) | (2,936,546) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Share-based payments | 159,893 | - | - | 159,893 |
| Recognition of equity portion of convertible note | 467,773 | - | - | 467,773 |
| Balance at 31 December 2021 | <u>921,517</u> | <u>22,846,937</u> | <u>(24,809,253)</u> | <u>(1,040,799)</u> |

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

Broo Limited
Statement of cash flows
For the half-year ended 31 December 2021

| | Consolidated | |
|---|----------------------|-----------------------|
| | Dec 2021 | Dec 2020 |
| | \$ | \$ |
| Cash flows from operating activities | | |
| Receipts from customers (inclusive of GST) | 726,133 | 441,969 |
| Payments to suppliers and employees (inclusive of GST) | (1,867,292) | (2,510,181) |
| Other revenue | 341,736 | 243,103 |
| Interest and other finance costs paid | (558,576) | (8,736) |
| Net cash used in operating activities | <u>(1,357,999)</u> | <u>(1,833,845)</u> |
| Cash flows from investing activities | | |
| Payments for intangibles | - | (1,400) |
| Proceeds from disposal of business | - | 10,000 |
| Net cash from investing activities | <u>-</u> | <u>8,600</u> |
| Cash flows from financing activities | | |
| Proceeds from issue of shares | - | 2,985,985 |
| Proceeds from borrowings | 420,000 | - |
| Share issue transaction costs | - | (277,739) |
| Repayment of borrowings | (1,122,552) | (249,347) |
| Repayment of lease liabilities | - | (113,356) |
| Proceeds from convertible notes | 2,000,000 | - |
| Net cash from financing activities | <u>1,297,448</u> | <u>2,345,543</u> |
| Net increase/(decrease) in cash and cash equivalents | (60,551) | 520,298 |
| Cash and cash equivalents at the beginning of the financial half-year | <u>115,241</u> | <u>62,675</u> |
| Cash and cash equivalents at the end of the financial half-year | <u><u>54,690</u></u> | <u><u>582,973</u></u> |

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

Broo Limited
Notes to the financial statements
31 December 2021

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

New or amended Accounting Standards and Interpretations adopted

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

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

Convertible notes

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

Going concern

The consolidated entity has incurred a net loss of \$2,936,546 for the half-year ended 31 December 2021 and has a working capital deficit of \$2,741,742 and had cash outflows from operating activities of \$1,357,999. These conditions indicate a significant or material uncertainty about the consolidated entity's ability to continue as a going concern.

The financial report has been prepared on a going concern basis which assumes the realisation of assets and the extinguishment of liabilities in the normal course of business at the amounts stated in the financial report, for the following reasons:

- On 11 June 2021, the company announced that it had entered into an agreement to sell its Ballarat property for \$7.5million. The sale was conditional upon approval from Development Victoria. The board is confident that this approval will be forthcoming and believe the completion of the sale is highly probable;
- The board continues to review costs and is seeking to remove all non-essential expenses; and
- The directors are of the opinion that the company will be able to access equity capital markets for any additional working capital requirements.

For the above reasons the board considers that the consolidated entity remains a going concern and the financial report has been prepared on this basis. This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be incurred should the consolidated entity not continue as a going concern.

Note 2. Impact of COVID 19 pandemic

During the last financial year, the COVID-19 was declared a pandemic by the World Health Organisation (WHO). The pandemic has adversely affected the global economy, including an increase in unemployment, decrease in consumer demand, interruptions in supply chains, and tight liquidity and credit conditions. Since its outbreak, governments across the country have set up measures to contain the pandemic. Many states have required entities to limit or suspend business operations, and have also implemented travel restrictions and quarantine measures. Monetary and fiscal stimulus packages have also been introduced. As the COVID-19 outbreak continues to evolve, the estimated financial impact cannot be reasonably determined at this juncture. The impact which COVID 19 has had on the consolidated entity is set out below.

Hospitality

During the financial half-year, hospitality has continued to be impacted with closures, capacity limits and reduced patronage due to the public's caution caused by COVID.

Brewing

Restrictions on domestic travel have impacted the consolidated entity's to travel for marketing and promotional purposes which has delayed the consolidated entity's attempts to increase sale of its beer brands.

Government COVID and other relief

During the current half year the consolidated entity received government COVID stimulus and rent relief totalling \$341,736

Note 3. Restatement of comparatives

Correction of error

On 30 September 2021, the company signed and released its annual report for the year ended 30 June 2021. This report included an error in relation the accounting for government excise on inventory purchases. The company has reissued it annual report for the year ended 30 June 2021 on the same date as this interim report.

Statement of profit or loss and other comprehensive income

When there is a restatement of comparatives, it is mandatory to provide a statement of profit or loss and other comprehensive income for the half-year ended 31 December 2020. However, as there were no adjustments made, the consolidated entity has elected not to show the statement of profit or loss and other comprehensive income.

Statement of financial position at the beginning of the earliest comparative period

When there is a restatement of comparatives, it is mandatory to provide a third statement of financial position at the beginning of the earliest comparative period, being 1 July 2020. However, as there were no adjustments made as at 1 July 2020, the consolidated entity has elected not to show the 1 July 2020 statement of financial position.

Broo Limited
Notes to the financial statements
31 December 2021

Note 3. Restatement of comparatives (continued)

Statement of financial position at the end of the earliest comparative period

| | Restated June 2021 \$ Reported | Consolidated \$ Adjustment | Restated June 2021 \$ Restated |
|---|---|---|---|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 115,241 | - | 115,241 |
| Trade and other receivables | 349,829 | - | 349,829 |
| Inventories | 1,756,223 | (788,300) | 967,923 |
| Other | 83,251 | - | 83,251 |
| | <u>2,304,544</u> | <u>(788,300)</u> | <u>1,516,244</u> |
| Assets of disposal groups classified as held for sale | 2,123,404 | - | 2,123,404 |
| Total current assets | <u>4,427,948</u> | <u>(788,300)</u> | <u>3,639,648</u> |
| Non-current assets | | | |
| Property, plant and equipment | 1,821,391 | - | 1,821,391 |
| Right-of-use assets | 2,363,751 | - | 2,363,751 |
| Intangibles | 219,580 | - | 219,580 |
| Deferred tax | 1,397,914 | - | 1,397,914 |
| Total non-current assets | <u>5,802,636</u> | <u>-</u> | <u>5,802,636</u> |
| Total assets | <u>10,230,584</u> | <u>(788,300)</u> | <u>9,442,284</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 2,887,210 | - | 2,887,210 |
| Borrowings | 758,907 | - | 758,907 |
| Lease liabilities | 365,192 | - | 365,192 |
| Employee benefits | 158,062 | - | 158,062 |
| | <u>4,169,371</u> | <u>-</u> | <u>4,169,371</u> |
| Liabilities directly associated with assets classified as held for sale | 1,916,565 | - | 1,916,565 |
| Total current liabilities | <u>6,085,936</u> | <u>-</u> | <u>6,085,936</u> |
| Non-current liabilities | | | |
| Lease liabilities | 2,082,569 | - | 2,082,569 |
| Employee benefits | 5,698 | - | 5,698 |
| Total non-current liabilities | <u>2,088,267</u> | <u>-</u> | <u>2,088,267</u> |
| Total liabilities | <u>8,174,203</u> | <u>-</u> | <u>8,174,203</u> |
| Net assets | <u>2,056,381</u> | <u>(788,300)</u> | <u>1,268,081</u> |
| Equity | | | |
| Issued capital | 22,846,937 | - | 22,846,937 |
| Reserves | 293,851 | - | 293,851 |
| Accumulated losses | (21,084,407) | (788,300) | (21,872,707) |
| Total equity | <u>2,056,381</u> | <u>(788,300)</u> | <u>1,268,081</u> |

Broo Limited
Notes to the financial statements
31 December 2021

Note 4. Revenue

| | Consolidated | Consolidated |
|--|-----------------------|-----------------------|
| | Dec 2021 | Dec 2020 |
| | \$ | \$ |
| <i>Revenue from contracts with customers</i> | | |
| Sales of goods | 1,140,889 | 426,315 |
| Sales - discounts and rebates | (600,421) | - |
| | <u>540,468</u> | <u>426,315</u> |
| <i>Other revenue</i> | | |
| Other revenue | <u>25,895</u> | <u>48,846</u> |
| Revenue | <u><u>566,363</u></u> | <u><u>475,161</u></u> |

Disaggregation of revenue

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

| | Consolidated | Consolidated |
|--------------------------------------|-----------------------|-----------------------|
| | Dec 2021 | Dec 2020 |
| | \$ | \$ |
| <i>Major product lines</i> | | |
| Brewery sales | 262,587 | 388,156 |
| Hospitality sales | <u>277,881</u> | <u>38,159</u> |
| | <u><u>540,468</u></u> | <u><u>426,315</u></u> |
| <i>Geographical regions</i> | | |
| Australia | <u><u>540,468</u></u> | <u><u>426,315</u></u> |
| <i>Timing of revenue recognition</i> | | |
| Goods transferred at a point in time | <u><u>540,468</u></u> | <u><u>426,315</u></u> |

Note 5. Other income

| | Consolidated | Consolidated |
|---------------------------|-----------------------|-----------------------|
| | Dec 2021 | Dec 2020 |
| | \$ | \$ |
| Government COVID stimulus | <u><u>341,736</u></u> | <u><u>196,366</u></u> |

Broo Limited
Notes to the financial statements
31 December 2021

Note 6. Current assets - trade and other receivables

| | Consolidated | Restated |
|--|-------------------------|-----------------------|
| | Dec 2021 | June 2021 |
| | \$ | \$ |
| Trade receivables | 162,892 | 148,000 |
| Less: Allowance for expected credit losses | <u>(25,141)</u> | <u>(22,325)</u> |
| | <u>137,751</u> | <u>125,675</u> |
| Other receivables | 23,671 | 3,324 |
| Convertible note receivable | 1,504,000 | - |
| BAS receivable | <u>85,273</u> | <u>220,830</u> |
| | <u><u>1,750,695</u></u> | <u><u>349,829</u></u> |

The convertible note receivable relates to a note with a face value of \$1,600,000 which has been recognised net of fees of 6%. Of this amount \$404,000 remained receivable at the timing of signing

Note 7. Current assets - inventories

| | Consolidated | Restated |
|---|---------------------|------------------|
| | Dec 2021 | June 2021 |
| | \$ | \$ |
| Stock on hand - at net realisable value | <u>1,243,635</u> | <u>967,923</u> |

Note 8. Current assets - assets of disposal groups classified as held for sale

| | Consolidated | Restated |
|-------------------------------|-------------------------|-------------------------|
| | Dec 2021 | June 2021 |
| | \$ | \$ |
| Property, plant and equipment | 2,573,404 | 2,123,404 |
| Right-of-use assets | <u>2,174,418</u> | <u>-</u> |
| | <u><u>4,747,822</u></u> | <u><u>2,123,404</u></u> |

The plant and equipment balance includes 2,123,404 in relation to the land the consolidated entity holds at Ballarat and \$450,000 in relation to brewing equipment at the Mildura brewery. An impairment has been recognised in relation to the brewing based on the board's expected proceeds from its disposal.

Right-of-use assets at the Mildura Pub and Mildura Brewery have been classified as held for sale.

Note 9. Current liabilities - trade and other payables

| | Consolidated | Restated |
|----------------|-------------------------|-------------------------|
| | Dec 2021 | June 2021 |
| | \$ | \$ |
| Trade payables | 1,721,630 | 505,570 |
| Other payables | <u>1,553,920</u> | <u>2,381,640</u> |
| | <u><u>3,275,550</u></u> | <u><u>2,887,210</u></u> |

Broo Limited
Notes to the financial statements
31 December 2021

Note 10. Current liabilities - borrowings

| | Consolidated | Restated |
|---------------------------|---------------------|------------------|
| | Dec 2021 | June 2021 |
| | \$ | \$ |
| Loan facility | 111,903 | 758,907 |
| Convertible notes payable | 2,840,868 | - |
| | <u>2,952,771</u> | <u>758,907</u> |

Convertible notes

The convertible notes have face value of \$3,600,000 and have been recognised net of deferred borrowings cost and the equity portion, refer to note 12. At 31 December 2021, an amount of \$1,504,000 was receivable, refer to note 6. Interest is payable on convertible notes at 12% per annum, and they have a 12 month term. There is a total of 240,000,000 convertible notes which can be converted on a one-for one basis.

Note 11. Current liabilities - liabilities directly associated with assets classified as held for sale

| | Consolidated | Restated |
|-----------------|---------------------|------------------|
| | Dec 2021 | June 2021 |
| | \$ | \$ |
| Loan facility | 1,886,409 | 1,916,565 |
| Lease liability | 2,252,469 | - |
| | <u>4,138,878</u> | <u>1,916,565</u> |

The lease liabilities in relation to Mildura Pub and Mildura Brewery have been classified as liabilities directly associated with assets held for sale.

Note 12. Equity - reserves

| | Consolidated | Restated |
|------------------------------|---------------------|------------------|
| | Dec 2021 | June 2021 |
| | \$ | \$ |
| Share-based payments reserve | 453,744 | 293,851 |
| Convertible note reserve | 467,773 | - |
| | <u>921,517</u> | <u>293,851</u> |

Share-based payments reserve

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

Convertible note reserve

The reserve is used to recognise the value of the equity portion of convertible notes.

Broo Limited
Notes to the financial statements
31 December 2021

Note 12. Equity - reserves (continued)

Movements in reserves

Movements in each class of reserve during the current financial half-year are set out below:

| Consolidated | Share based payments \$ | Convertible note \$ | Total \$ |
|---|-------------------------------|---------------------------|----------------|
| Balance at 1 July 2021 | 293,851 | - | 293,851 |
| Share based payments | 159,893 | - | 159,893 |
| Recognition of equity portion of convertible note | - | 467,773 | 467,773 |
| Balance at 31 December 2021 | <u>453,744</u> | <u>467,773</u> | <u>921,517</u> |

Note 13. Equity - dividends

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

Note 14. Contingent liabilities

The company had no contingent liabilities at 31 December 2021 and 30 June 2021.

Note 15. Related party transactions

Parent entity

Broo Limited is the parent entity.

Transactions with related parties

The following transactions occurred with related parties:

| | Consolidated Dec 2021 \$ | Consolidated Dec 2020 \$ |
|---|--------------------------------|--------------------------------|
| Payment for other expenses: | | |
| Interest and borrowing costs paid and accrued to an entity related to Dazid Zhu | 256,000 | - |

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

| | Consolidated Dec 2021 \$ | Consolidated Restated June 2021 \$ |
|---|--------------------------------|---|
| Current receivables: | | |
| Convertible note receivable from an entity related to David Zhu | 1,504,000 | - |
| Current payables: | | |
| Accrued directors' fee and wages | 320,065 | 342,592 |

Broo Limited
Notes to the financial statements
31 December 2021

Note 15. Related party transactions (continued)

Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

| | Consolidated | Restated |
|--|---------------------|------------------|
| | Dec 2021 | June 2021 |
| | \$ | \$ |
| Current borrowings: | | |
| Face value of convertible note held by an entity related David Zhu | 3,600,000 | - |

Terms and conditions

Unless stated otherwise, all transactions were made on normal commercial terms and conditions and at market rates.

Note 16. Events after the reporting period

On 21 January 2022, the company issued 6,326,666 fully paid ordinary shares valued at 1.5 cents per share to settle accrued directors' fees.

On 21 January 2022, the company issued 30,000,000 options over ordinary shares to a corporate advisor. The options have an exercise price of 2.5 cents and expire on 21 January 2025. The options are valued at \$159,893, and have already been recognised in the financial statements.

On 21 January 2022, the company issued 5,000,000 Class A and 5,000,000 Class B performance rights to the company's Chief Executive Officer. The performance milestone for the Class A performance rights is consolidated revenue of \$10,000,000 in financial year 2022 and \$15,000,000 for the Class B rights.

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 17. Earnings per share

| | Consolidated | Consolidated |
|---|---------------------|---------------------|
| | Dec 2021 | Dec 2020 |
| | \$ | \$ |
| <i>Earnings per share for loss from continuing operations</i> | | |
| Loss after income tax attributable to the owners of Broo Limited | <u>(2,936,546)</u> | <u>(1,077,426)</u> |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | <u>945,752,965</u> | <u>839,243,190</u> |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>945,752,965</u> | <u>839,243,190</u> |
| | Cents | Cents |
| Basic earnings per share | (0.31) | (0.13) |
| Diluted earnings per share | (0.31) | (0.13) |

Broo Limited
Notes to the financial statements
31 December 2021

Note 17. Earnings per share (continued)


| | Consolidated | |
|---|---------------------|-------------------|
| | Dec 2021 | Dec 2020 |
| | \$ | \$ |
| <i>Earnings per share for profit from discontinued operations</i> | | |
| Profit after income tax attributable to the owners of Broo Limited | - | 40,703 |
| | <u> </u> | <u> </u> |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 945,752,965 | 839,243,190 |
| | <u> </u> | <u> </u> |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 945,752,965 | 839,243,190 |
| | <u> </u> | <u> </u> |
| <i>Earnings per share for loss</i> | | |
| Loss after income tax attributable to the owners of Broo Limited | (2,936,546) | (1,036,723) |
| | <u> </u> | <u> </u> |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 945,752,965 | 839,243,190 |
| | <u> </u> | <u> </u> |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 945,752,965 | 839,243,190 |
| | <u> </u> | <u> </u> |
| | Cents | Cents |
| Basic earnings per share | (0.31) | (0.12) |
| Diluted earnings per share | (0.31) | (0.12) |

Broo Limited
Directors' declaration
31 December 2021

In the directors' opinion:

- the attached financial statements comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001, other mandatory professional reporting requirements, and the accounting policies as described in Note 1;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the directors



Kent Grogan
Executive Chairman

28 February 2022

Independent Auditor's Review Report

To the members of Broo Ltd and its controlled entities

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying Half-year Financial Report of Broo Ltd and its controlled entities ("The Group").

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of the Group is not in accordance with the Corporations Act 2001, including:

- Giving a true and fair view of the company's financial position as at 31 December 2021 and of its performance for the Half-year ended on that date; and
- Complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

The Half-year Financial Report comprises:

- Statement of financial position as at 31 December 2021;
- Statement of profit or loss and other comprehensive income, Statement of changes in equity and Statement of cash flows for the Half-year ended on that date;
- Notes 1 to 17 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The Group comprises Broo Limited (the Company) and the entities it controlled at the half year's end or from time to time during the half year.

Emphasis of Matter - Material Uncertainty Related to Going Concern

We draw attention to note 1 in the half year financial report which indicates that the consolidated entity incurred a net loss of \$2,936,546, had a working capital deficiency of \$2,741,742 and net liabilities of \$1,040,799 as at 31 December 2021 and had net cash outflows from operating activities of \$1,357,999 during the half year ended 31 December 2021. These events or conditions, along with other matters as set forth in Note 1 indicate that a material uncertainty exists that may cast a significant doubt on the consolidated entity's ability to continue as a going concern.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- The preparation of the Half-year Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and Corporations Act 2001
- For such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the company's financial position as at 31 December 2021 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As auditor of Broo Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.



George Georgiou FCA
Managing Partner
Connect National Audit Pty Ltd
ASIC Authorised Audit Company No.: 521888
Melbourne, Victoria
Date: 28 February 2022

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