

Appendix 4E - Preliminary Financial Report for the year ended 30 June 2022



Weebit Nano Limited
ACN: 146 455 576

Details of the reporting period and previous reporting period

This preliminary financial report under ASX listing rule 4.3A covers Weebit Nano Limited and its controlled entities ("the Group") and is based on the audited Financial Report.

Results for announcement to the market

Revenue from ordinary activities	\$NIL (100%)	\$NIL
Loss from ordinary activities after tax attributable to members	up \$16,437,355 (146%)	to \$27,696,595
Dividends	Amount per security	Franked amount per security
Final dividend	NIL	N/A
Interim dividend	NIL	N/A
Record date for determining entitlements to the dividend	N/A	

Net tangible assets per security with the comparative figure for the previous corresponding period

	30 June 2022	30 June 2021
Net tangible asset backing per share	31.918 cents	17.193 cents

Details of entities over which control has been gained or lost during the year

There were no entities over which control has been gained or lost during the year.

Dividend paid or reinvested.

No dividends have been declared or are payable for the year ended 30 June 2022.

Dividend reinvestment plan

No dividend or distribution reinvestment plan was in operation during the year ended 30 June 2022.

Accounting standard for foreign entities

The accounts of foreign entities within the Group have been prepared in accordance with International Financial Reporting Standards.

A commentary on the results and additional disclosure information required under listing rule 4.3a is disclosed within the Directors' Report within the audited full year report for the 2022 financial year.

Appendix 4E - Preliminary Financial Report for the year ended 30 June 2022

2022 Annual General Meeting and Director Nominations

Weebit Nano Limited advises that its Annual General Meeting will be held on 15 November 2022. The time and other details relating to the meeting will be advised in the Notice of Meeting to be sent to all shareholders and released to the ASX immediately after despatch.

In accordance with the ASX Listing Rules, and the Company Constitution, valid nominations for the position of Director are required to be lodged at the registered officer of the Company by 5.00pm (AEDT) on 3 October 2022.

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WEEBIT NANO LIMITED
ACN: 146 455 576



ACN 146 455 576

ANNUAL REPORT

for the year ended 30 June 2022

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WEEBIT NANO LIMITED
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This Annual Report covers Weebit Nano Limited ("Weebit" or the "Company") and its subsidiaries, collectively referred to as the "Group".

The financial report is presented in Australian dollars (AUD).

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

Weebit Nano Limited
C/- Mertons Corporate Services Pty Ltd
Level 7
330 Collins Street
Melbourne VIC 3000

WEEBIT NANO LIMITED
ACN: 146 455 576

CORPORATE INFORMATION

Directors:

David Perlmutter

Chairman

Jacob Hanoch

Managing Director and CEO

Fred Bart

Non-Executive Director

Ashley Krongold

Non-Executive Director

Yoav Nissan-Cohen

Executive Director

Atiq Raza

Non-Executive Director

Company Secretary:

Mark Licciardo

Auditors:

Nexia Perth Audit Services Pty Ltd

Level 3, 88 William Street

PERTH WA 6000

Bankers:

Westpac Banking Corporation

108 Stirling Highway

NEDLANDS WA 6009

Solicitors - Sydney:

King & Wood Mallesons

Level 61

Governor Phillip Tower

1 Farrer Place

Sydney NSW 2000

Registered & Principal Office:

C/- Mertons Corporate Services Pty Ltd

Level 7

330 Collins Street

Melbourne VIC 3000

+61 3 8689 9997

Postal Address:

C/- Mertons Corporate Services Pty Ltd

Level 7

330 Collins Street

Melbourne VIC 3000

Home Stock Exchange:

Australian Securities Exchange Limited

Level 40

152-158 St Georges Terrace

PERTH WA 6000

ASX Code:

WBT

Share Registry:

Computershare Investor Services Pty Limited

Level 11, 172 St Georges Terrace

Perth, WA 6000 Australia

Website:

www.weebit-nano.com

WEEBIT NANO LIMITED
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CHAIRMAN'S REPORT

Dear shareholders,

On behalf of the Board of Directors of Weebit Nano Limited, I'm proud to present the Company's Annual Report for the year ending 30 June 2022 (FY22).

FY22 has been the most significant year to-date in Weebit Nano's commercialisation journey, one in which we secured our first commercial deal with US-based foundry SkyWater Technology to take our embedded ReRAM to volume production. The deal marked our transition from a R&D company to a commercial provider of next-generation memory technology, with our embedded ReRAM to be first available on SkyWater's CMOS process for mixed-signal, automotive, industrial IoT and medical applications.

In parallel to our progress with SkyWater, we are also in discussions with other prospective customers and partners. These conversations have reiterated the need for faster and more efficient memory technology to support new applications and smaller geometries, with existing Flash memory already at its scaling limits.

Digitisation continues to drive semiconductor demand, with memory technology and data storage now required for virtually every industry, application and device. This demand continues to outstrip supply despite record global investment in new fabrication facilities, which typically cost billions of dollars and take years to become operational.

Weebit's next-generation ReRAM technology is well-placed to be the winner of emerging non-volatile memories, with significant competitive advantages including excellent endurance, robustness, reliability, and retention at high temperatures as well as ultra-low power consumption. Our back-end-of-line technology made with fab-friendly materials also allows us to easily integrate into practically any fab using various process nodes.

Our competitive advantages combined with a growing addressable market reaffirm the confidence of Weebit's Board about the market opportunity for our ReRAM technology. We have now started qualifying the technology, a key step towards mass production, and are receiving excellent feedback to the initial results.

Key to our success has been our enduring partnership with CEA-Leti and more recently, SkyWater Technology. These successful collaborations have enabled us to accelerate our development progress and we are now significantly further along the commercialisation path. On behalf of the Board, I'd like to thank both Leti and SkyWater for their commitment and support over the past year. We look forward to our continued close co-operation in FY23 and beyond.

Our technical and commercial progress over the past year would not have been possible without the hard work and dedication of Weebit's world-class management team. The calibre of our Board and management team is a testament to Coby's leadership and the innovation of our next-generation technology.

Finally, thank you to our loyal shareholders for your ongoing support. We look forward to delivering value for you, our partners, and future customers in FY23 as we commercialise our faster, more efficient memory technology to power the products of tomorrow.

David Perlmutter
Chairman, Weebit Nano

WEEBIT NANO LIMITED
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CEO REPORT

Dear fellow shareholders,

Weebit Nano enters FY23 on the cusp of commercialisation within the embedded memory market. In the past year we have delivered all our planned technical and commercial milestones, de-risking our technology with commercial validation.

Over the course of FY22, we secured our first production partner in SkyWater Technology, successfully completed the technology transfer to its US production fab, taped-out our first silicon demo chip in the fab, scaled our ReRAM down to 28nm, and demonstrated the real-world capability of our technology at a leading industry event.

Our technology has matured to a stage where potential customers can prototype their Systems-on-Chips (SoCs) with Weebit's ReRAM demo chips, testing our technology within future product designs. While potential customers will typically want to wait for final qualification results before adopting a new technology, we are already having promising discussions and technical evaluations with early adopters who are looking for a competitive edge in their own next-generation products.

We recently commenced the qualification process with Leti in their state-of-the-art fab. Qualification is a critical step in ensuring a technology is ready for mass production, and the initial results are very positive. We expect to have full qualification results by the end of the 2022 calendar year. While Leti is not a production fab, these qualification results will be relevant for other production fabs and customers.

We also achieved technical milestones in the development of our discrete non-volatile memory (NVM) chips, where we see huge market potential for Weebit's technology in the medium- to long-term. In FY22 we demonstrated our first operational Kilobit (Kb) crossbar arrays that combine our ReRAM technology with a selector - a pivotal step forward in developing a discrete memory solution.

We have a strong track record of delivering against our technical and commercialisation roadmaps, and have done so despite operating in one of the most challenging periods for the semiconductor industry. I put this down largely to Weebit's world class team, which includes industry luminaries as well as some of the most experienced people in the global memory industry.

Demand for semiconductor chips remains high and will only continue to grow. We're seeing the largest-ever government investments in the sector with more than US\$600 billion committed to build new fabs in the USA, Korea, EU, Japan, China, Taiwan, Singapore and India. This investment has in turn increased capital expenditures by semiconductor companies by 40% over the past year, with memory accounting for roughly 35% of this fab equipment spending.

The need for a faster and more efficient non-volatile memory technology is rapidly increasing, driven by the emergence of new applications, digitisation, and skyrocketing data movement and storage needs. The automotive industry is representative of this growing demand, with the average modern car now requiring nearly 1000 semiconductor chips. Most of these chips will need NVM for code storage, AI weights and data logging. As we offer a faster, lower cost, more reliable and lower power NVM, the opportunity for us to replace existing flash memory across a broad range of applications continues to grow.

We're well funded to cater to this demand, successfully raising \$36 million in November last year, which was led by Israeli institutional investor, Meitav Dash. Our strong balance sheet is enabling us to fast-track our key development priorities, including scaling to 22nm, and developing a solution for the discrete memory market. Commonly used for AI, autonomous driving, 5G and advanced IoT applications, 22nm is attractive for Weebit as it is a node where embedded flash technology is no longer viable.

FY23 is shaping up to be the most important year in Weebit's journey so far – one in which we will qualify our technology, commence volume production with SkyWater, secure first customers and revenues, scale to 22nm, and move closer to a discrete memory solution.

We remain confident in our growth outlook, and look forward to an exciting year ahead.

Coby Hanoch
CEO Weebit Nano

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DIRECTORS' REPORT

Your directors present their report on Weebit Nano Limited and its subsidiaries for the year ended 30 June 2022.

David 'Dadi' Perlmutter - Chairman (Appointed 01/08/2016)

EXPERIENCE AND EXPERTISE

Mr David (Dadi) Perlmutter is focused on investment in growing technology companies in Israel and Si Valley. Mr Perlmutter chairs Teramount (a privately owned company) in addition to various non-profit organisations, is a member of the Board of Governors of the Technion – Israel Institute of Technology and sits on the board of directors of various startups.

Mr Perlmutter served as Executive Vice President and General Manager of the Intel Architecture Group (IAG) and chief product officer of Intel Corporation until early 2014. He was responsible for the business and development of Intel's platform solutions for all computing and communication segments including datacenters, desktops, laptops, handhelds, embedded devices, and computer electronics. In his tenure he grew the business from US\$35 billion in 2008 to more than US\$50 billion in 2013, managed 35,000 people worldwide and made investments and acquisitions exceeding US\$2.5 billion.

OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES

Massivit 3D (TASE:MSVT), since November 2020

Jacob 'Coby' Hanoch - Managing Director and CEO (Appointed 01/10/2017)

EXPERIENCE AND EXPERTISE

Mr Jacob (Coby) Hanoch has 15 years' experience in engineering and engineering management and 27 years' experience in sales management and executive roles. Coby was Vice President Worldwide Sales at Verisity where he was part of the founding team and grew the company to over US\$100M in annual sales which facilitated its acquisition by Cadence Design Systems (NASDAQ: CDNS).

He was also Vice President Worldwide Sales at Jasper, doubling sales in 3 years before it was acquired by Cadence. As CEO of PacketLight, Coby helped steer the company away from bankruptcy. Coby set up a consulting company, EDAcon Partners, which helps startups define their corporate strategies, set up their worldwide sales channel and raise capital.

Coby holds a Bachelor of Science in Systems Design from Technion – Israel Institute of Technology.

NO OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES

Fred Bart - Non-Executive Director (Appointed 05/03/2018)

EXPERIENCE AND EXPERTISE

Mr. Fred Bart has an extensive track record of business success behind him and brings decades of business know-how to Weebit Nano. Starting his career in the bed linen retail and fashion industries, Fred's business interests diversified to include genetics, securities, electro-optics, hospitality and more. In the 1980s he was responsible for transforming his family business from a small operation to a 1,200 employee corporation with a US\$200 million turnover. He acquired and turned around several businesses during his impressive career, expanding their operations, growing revenue and helping them to become publicly listed. Currently, he is Chairman of Audio Pixels Holdings Limited (ASX: AKP) and Chairman of Noxopharm Limited (ASX: NOX). Mr Bart also holds a wide range of private companies worldwide.

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DIRECTORS' REPORT (continued)

OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES

Electro Optics Systems Limited (ASX: EOS), (May 2000 to July 2021)
Audio Pixels Holdings Limited (ASX: AKP), since September 2000
Noxopharm Limited (ASX: NOX), since May 2020

Ashley Krongold – Non-Executive Director (Appointed 30/09/2016)

EXPERIENCE AND EXPERTISE

Mr Ashley Krongold is the CEO of The Krongold Group, a third-generation, family-run group of companies based in Melbourne, Australia, with businesses spanning various industries globally. Prior to Krongold Group, Ashley spent 15 years in the Investment Banking and Accounting industries. He was a founding member of Investec Bank Australia, worked at William Buck Chartered Accountants, ANZ Corporate Finance (London) and ANZ Private Bank (Australia). Ashley is a founding partner of OurCrowd, one of the world's leading global venture investing platforms.

NO OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES

Dr Yoav-Nissan Cohen – Executive Director (Appointed 15/02/2018)

EXPERIENCE AND EXPERTISE

Dr Yoav Nissan-Cohen's career covers nearly 40 years of scientific research, technology development and executive management in the hi-tech industry.

Yoav received his PhD in Applied Physics with focus on semiconductor device physics under the supervision of Prof Dov Frohman, the inventor of the first non-volatile memory technology. He started his illustrious career as a research scientist in GE's R&D center in New York where he studied the use of silicon dioxide in semiconductor memory devices. He then led the spin-off of National Semiconductor's fabrication facility in Israel, establishing Tower Semiconductor, a Nasdaq-listed, global specialty semiconductor foundry leader with a market cap of US\$3.4 billion, where he served as CEO for nine years. Dr. Nissan-Cohen also played a key role in establishing a non-volatile technology startup, Saifun Semiconductor, which was subsequently sold to Spansion. After two years in the venture capital industry, he returned to his entrepreneurial origins taking up Chairman and CEO positions in Amimon which provides wireless transmissions of HD Video at zero latency. He is currently leading three technology companies, which provide innovative solutions for tele-operation applications, film productions and biological research, and is also serving as an executive board member in Weebit.

NO OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES

Atiq Raza – Non-Executive Director (Appointed 01/07/2019)

EXPERIENCE AND EXPERTISE

Atiq Raza is currently the Executive Chairman of Virsec, a next generation Cybersecurity software company. He has served as Chairman of the board at Validity, a biometric solutions company acquired by Synaptics and was also on the board of Seeo, a next generation Li-ion battery company acquired by Bosch. He is also on the board of Arteris-IP, a Network on a Chip company on the board of Centriq, a Fintech company, CloudDefense, a cybersecurity company and Chairman of the board of Peernova, which is a Fintech company. Atiq served on the Stanford University School of Engineering Advisory Council for eight years until 2016.

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DIRECTORS' REPORT (continued)

Atiq Raza is an industry veteran and has been working in engineering leadership and senior management positions for the past thirty-five years. He was Chairman and CEO of NexGen, the first company to challenge Intel in microprocessors. NexGen became a public company and subsequently was acquired by AMD for approximately US\$850 million in AMD stock. Atiq became the President and COO of AMD and served on its Board of Directors. At AMD he laid the foundation of its processor business and brought the AMD-K6 and Athlon products to market and established the Opteron 64-bit instruction set architecture. Prior to NexGen, Atiq held various management positions at VLSI Technology Incorporated, most notably the president of Technology Centers.

Post AMD, Atiq founded Raza Microelectronics Incorporated (RMI). RMI was acquired by NetLogic in October 2009 and Atiq served as Chief Technology Advisor to NetLogic. NetLogic in turn was acquired by Broadcom on the strength of the RMI Processor.

Atiq has been on the boards of several successful start-ups including Mellanox (now a public company), SiByte (acquired by Broadcom for US\$2.2 billion), Siara (acquired by Redback for US\$4 billion), VxTel (acquired by Intel for US\$500 million) and Magma (now a public company). He has several degrees, including his Bachelor's degree with honors in Physics from Punjab University, with a double bachelor's degree in Philosophy, his Bachelor's degree in Electrical Engineering with honours from the University of London, and his Master's degree in Materials Science & Engineering from Stanford University.

OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES

Arteris IP (NASDAQ AIP)

Company Secretary

Mark Licciardo (Appointed 01/02/2017)

Mark is the founder of Mertons Corporate Services, now part of Acclime Australia and is responsible for Acclime Australia's Listed Services Division.

He is also an ASX-experienced director and chair of public and private companies, with expertise in the listed investment, infrastructure, bio-technology and digital sectors. He currently serves as a director on a number of Australian company boards as well as foreign controlled entities and private companies.

During his executive career, Mark held roles in banking and finance, funds management, investment and infrastructure development businesses, including being the Company Secretary for ASX:100 companies Transurban Group and Australian Foundation Investment Company Limited.

Mark holds a Bachelor of Business degree in accounting, a Graduate Diploma in Governance and is a Fellow of the Chartered Governance Institute, the Governance Institute of Australia and the Australian Institute of Company Directors.

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DIRECTORS' REPORT (continued)

Principal Activities

The Company is developing a next generation Non-Volatile Memory using a Resistive RAM (ReRAM) technology based on fabrication factory ("fab") friendly materials.

On 24 November 2017 Weebit Nano Israel, a wholly owned subsidiary, incorporated a 100% held R&D subsidiary in France- Weebit Nano France.

Dividends

No dividends were paid or declared during the year or in the period from the year end to the date of this report.

Results

As the group is in the research and development stage it does not yet generate revenue. The Loss for the year attributable to members of the Group for the year ended 30 June 2022 amounted to \$27,696,595 (2021: \$11,259,240). The loss mainly reflects the research and development activities of the Group as well as marketing, business development and administration costs.

Operating And Financial Review

Overview

Weebit is a leading developer of next-generation semiconductor memory technology. The Company's Resistive RAM (ReRAM) technology addresses the growing need for significantly higher performance and lower power memory solutions in a range of new electronic products such as Internet of Things (IoT) devices, smartphones, robotics, autonomous vehicles, 5G communications and artificial intelligence. Weebit's ReRAM is significantly faster, less expensive, more reliable and more energy efficient than existing flash memory solutions. Based on fab-friendly materials, Weebit's ReRAM technology can be easily integrated with existing flows and processes without the need for special equipment or large investments.

The Company, and its R&D French subsidiary, signed a collaboration agreement with CEA-Leti (Leti), a leading French microelectronics research institute, for the development and prototyping of advanced ReRAM memories based on fab-friendly materials. This created a team of highly skilled scientists based in a world-class facility to further develop the technology.

Weebit significantly progressed its technical and commercial roadmaps in FY22, achieving all key commercial and technical milestones in the embedded memory market. The Company leveraged its strong balance sheet to accelerate future development projects, including a solution for the discrete memory market and scaling to smaller geometries.

First commercial deal with SkyWater Technology

In September 2021, Weebit secured its first commercial deal with US-based semiconductor foundry SkyWater Technology Inc to take its technology to volume production. The deal incorporates a technology transfer and qualification agreement, as well as a non-exclusive licensing agreement.

Under the non-exclusive licensing agreement, SkyWater will manufacture Weebit Nano's ReRAM technology in its fab and add Weebit Nano's memory module to its 130nm Process Design Kit, which is ideal for analog, power management, automotive, IoT and medical applications. This enables SkyWater customers who license Weebit Nano's technology to embed it within new product designs they develop and mass-produce at SkyWater's fab.

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DIRECTORS' REPORT (continued)

Completed technology transfer

Towards the end of FY22, Weebit Nano successfully completed the transfer of its technology to SkyWater's US production fab, taping-out (releasing to manufacturing) demonstration (demo) chips integrating its embedded ReRAM module. As the first tape-out of Weebit Nano's ReRAM technology to a production fab, this is a major commercialisation milestone. Technology qualification will commence as soon as the chips are back from manufacturing, ensuring the readiness of Weebit Nano's embedded ReRAM for mass production at SkyWater.

Silicon demo chips complete functional testing

During the year, Weebit Nano moved closer to delivering a commercial product with demo chips integrating its embedded ReRAM module successfully completing functional testing. Weebit Nano received the silicon wafers containing the demo chips from manufacturing in December 2021 and together with Leti, sliced the wafers into chips, packaged and extensively tested them. Testing confirming the demo chips perform as expected.

Commenced tech qualification at Leti

Weebit Nano has commenced technology qualification of its ReRAM memory module produced at Leti with very good initial results. While Leti is not a production fab, it has a state-of-the-art facility, and the qualification data will be relevant for other production fabs and customers. Initial qualification results were presented recently at the Flash Memory Summit conference, and are helping Weebit Nano in its discussions with other fabs. The Company expects to have full qualification results by the end of CY22.

Demonstrated ReRAM at 28nm, scaling down to 22nm

In October 2021, Weebit Nano and Leti successfully scaled its embedded ReRAM technology down to 28nm on 300mm wafers, demonstrating a 1Mb array with very good endurance, data retention and other production-level parameters. As the 28nm geometry is widely used in a range of advanced embedded applications, this demonstration is a key step towards productisation of embedded Non-Volatile Memory (NVM) for AI, autonomous driving, 5G and advanced IoT.

In March 2022, Weebit Nano commenced scaling its embedded ReRAM technology down to 22nm – an advanced process node which only a few of the world's leading fabs support. The Company is working with Leti to design a full IP memory module integrating a multi-megabit ReRAM block targeting an advanced 22nm Fully Depleted Silicon On Insulator (FD-SOI) process.

There is strong demand for an efficient NVM technology at 28nm and 22nm, as embedded flash technology has difficulty scaling down below 40nm.

Demonstrated its first crossbar ReRAM arrays

In FY22, Weebit Nano and Leti achieved a key technical milestone for the discrete (stand-alone) market, demonstrating its first operational Kilobit (Kb) crossbar arrays that combine Weebit Nano's ReRAM technology with a selector. Weebit Nano's crossbar arrays were developed using 1S1R (one selector one resistor) architecture, which have potential applications in storage class memory, persistent memory, as a NOR flash replacement, as well as machine learning and edge AI.

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DIRECTORS' REPORT (continued)

Expanded strategic partnership with CEA-Leti

In August 2021, Weebit licensed additional IP from French development partner CEA-Leti under a new strategic agreement. The integration of Leti's additional IP has improved Weebit Nano's array-level endurance and increased data retention compared to previous results under the same conditions. These improvements

enable Weebit Nano to address new high-volume markets such as automotive and smart cards that require high-temperature reliability up to 175°C and high-temperature compatibility for wafer level packaging.

Well capitalised with a strong balance sheet

During the year, Weebit Nano completed a successful \$35.4 million Placement and Entitlement Offer, welcoming four Israel-based institutional and pension funds to the register. The capital raise was also supported by three eligible Weebit Nano Directors, who contributed a total of \$300,000. An additional \$16 million was received through the exercising of listed options as at 30 June 2022.

The capital enables Weebit to fast-track longer-term R&D and commercial activities, including:

- Moving to smaller geometries below 28nm in the embedded memory sector;
- Ongoing development of a solution for the discrete memory market;
- Improving the baseline parameters of Weebit's ReRAM technology; and
- Expanding sales and marketing activities to increase engagement with additional fabs and customers.

NVM expert Gabriel Molas joins executive team

In FY22, Weebit Nano further strengthened its executive team with the appointment of ReRAM and non-volatile memory (NVM) expert Gabriel Molas as Chief Scientist. Mr Molas is leading the Company's applied research efforts, focused on continuous ReRAM optimisations and ongoing leadership on all technical parameters. He brings more than 17 years' NVM experience to Weebit Nano, gained at CEA-Leti where he led numerous ReRAM research projects including work with the Company's ReRAM.

Sales and marketing activities

Weebit Nano significantly increased its sales and marketing activities during the year. Towards the end of FY22, the Company participated in a series of conferences and trade shows including International Memory Workshop in Germany, ChipEx in Israel, and CIMTEC in Italy. At Leti Innovation Days in June 2022, Weebit Nano publicly demonstrated its ReRAM IP module for the first time. The interactive demonstration showed Weebit ReRAM embedded in silicon being fed live images, retaining this data while powered-off, and then displaying the data separately.

Post reporting period, Weebit Nano sponsored Flash Memory Summit in California, where it met with potential customers and partners and showed both the new demonstration of its demo chip as well as its compelling neuromorphic demo. At the conference, Weebit presented its most recent qualification test results, exhibiting production-level readiness. These results are a significant confirmation for other foundries looking to integrate Weebit's technology into their production lines.

Weebit Nano is also in discussions and technical evaluations with several leading fabs and potential customers. While many customers prefer to wait for final qualification results from a production fab before committing to a new technology, promising discussions are underway with early adopters looking for a competitive edge in their own next-generation products.

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DIRECTORS' REPORT (continued)

Financial Position

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

The Group reported a net loss for the period of \$27,696,595 (2021: \$11,259,240) and a cash outflow from operating activities of \$21,815,971 (2021: \$7,048,400). The Group had a net working capital surplus of \$54,605,575 (2021: \$20,997,222) including cash of \$50,247,738 at 30 June 2022 (June 2021: \$21,726,173). The loss mainly reflects the research and development activities of the Group.

Based on a cash flow forecast prepared by management, the Group's working capital surplus at 30 June 2022 and the Group's ability to raise funds and to reduce costs if necessary, the Directors consider the going concern basis of preparation to be appropriate.

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DIRECTORS' REPORT (continued)

Financial review

As the Group is in the research and development stage it does not yet generate revenue. The loss for the year ended 30 June 2022 was \$27,696,595 (2021: \$11,259,240) reflecting the significant increase in development activities, strengthened senior management team and marketing and business development activities ahead of commercialisation.

The loss for the year ended 30 June 2022 mainly comprised the following:

Financial Statement Line Item	\$	Commentary
Research and development (net)	16,776,687	<p>Research and Development costs increased as the Group accelerated its development projects and technology transfer toward qualification and commercialisation, as well as further strengthening its team in Israel and France.</p> <p>Wee-bit Nano France is entitled to receive Research and Development grants (tax refunds) from the French government. The 2021 grant totaled \$5.6 million and was received in July 2022. The 2020 grant, totaling \$2.2 million, was received in April 2021. R&D costs were reduced accordingly.</p> <p>R&D expenses include \$5,364,153 for share based compensation (2021: \$1,566,925).</p>
Sales and Marketing	2,350,508	<p>Reflects the significant increase in sales, marketing and business development activities during the year. S&M expenses include \$761,577 for share based payments (2021: \$574,608).</p>
General and Administrative	8,371,598	<p>\$4,964,757 was for share based payments (2021: \$1,929,355)</p>

As at 30 June 2022, the total current assets of the Group were \$56,270,012 (2021: \$22,020,589) of which \$50,247,738 (2021: \$21,726,173) comprised cash and cash equivalents. Total assets were \$57,008,175 (2021: \$22,209,537).

Total liabilities, including lease liabilities, as at 30 June 2022 were \$2,012,438 (2021: \$1,042,982).

Total equity as at 30 June 2022 was \$54,995,737 (2021: \$21,166,555). The increase in equity despite the loss for the year is mainly due to a share issuance and options exercise, net of capital raising costs, of \$50,756,599.

Net cash used in operating activities for the year ended 2022 was \$21,815,971 (2021: \$7,048,400), mainly in respect of payments to suppliers, consultants and employees. Net cash flows provided by financing activities for the year ended 2022 were \$50,544,065 (2021: \$24,718,338) from share issuance and options exercise, net of capital raising costs and repayments of lease liabilities.

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DIRECTORS' REPORT (continued)

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There were no significant events after the balance date.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company is currently engaged with multiple potential customers and partners as part of its move from development to commercialisation and productisation. It expects to reach its first customer agreement in the near future.

Other than as disclosed elsewhere in the report, no other likely developments, future prospects and business strategies of the operations of the Company have been included in this report as the directors believe that the inclusion of such information would be likely to result in unreasonable prejudice to the Group.

ENVIRONMENTAL REGULATION

The Group's operations are not subject to environmental regulations in the jurisdictions in which it operates.

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITOR

During the financial year, the Group has paid a premium of \$125,750 (2021: \$118,655) excluding GST to insure the directors and officers of the Company for a 12-month period.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a willful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group.

The Group has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the Group, Nexia Perth Audit Services Pty Ltd or any related entity (Nexia) 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 Group or any related entity.

WEEBIT NANO LIMITED
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DIRECTORS' REPORT (continued)

DIRECTORS' INTERESTS IN SHARES, OPTIONS AND PERFORMANCE RIGHTS

Details of relevant interests of current directors in Weebit ordinary shares, options and performance rights as at the date of this report are as follows:

Director	Shares		Performance Rights		Unlisted Options	
	Held Directly	Held Indirectly	Held Directly	Held Indirectly	Held Directly	Held Indirectly
Dadi Perlmutter	915,980	1,153,500	-	-	2,850,000	-
Coby Hanoch	375,045	270,000	210,000	-	4,580,000	-
Fred Bart	-	758,668	128,000	-	440,000	-
Ashley Krongold	-	1,229,150	-	-	-	280,000
Yoav Nissan-Cohen	-	-	-	80,000	930,000	160,000
Atiq Raza	137,877	-	80,000	-	348,750	-
TOTAL	1,428,902	3,411,318	418,000	80,000	9,148,750	440,000

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors (Board) and of each Board Committee held during the financial year ended 30 June 2022, and the number of meetings attended by each director are tabled below:

	Board Meetings		Remuneration Committee Meetings	
	Held	Attended	Held	Attended
Dadi Perlmutter	15	14	1	1
Coby Hanoch	15	15	1	1
Fred Bart	15	15	-	-
Ashley Krongold	15	14	-	-
Yoav Nissan-Cohen	15	14	-	-
Atiq Raza	15	13	1	1

The full Board assumes the responsibility of the Audit & Risk Committee.

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DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for directors and key management personnel (KMP) of the Company for the year ended 30 June 2022. The information contained in this report has been audited as required by section 308(3C) of the Corporations Act 2001.

This remuneration report details the remuneration arrangements for key management controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the Company, and includes those executives in the Company and the Group receiving the highest remuneration.

Key Management Personnel

Directors:

- Mr David Perlmutter (Chairman)
- Mr Jacob Hanoch (CEO and Managing Director)
- Mr Fred Bart (Non-Executive Director)
- Mr Ashley Krongold (Non-Executive Director)
- Dr Yoav Nissan-Cohen (Executive Director)
- Mr Atiq Raza (Non-Executive Director)

Remuneration Policy

The Group's performance relies heavily on the quality of its KMP which currently consists of directors only. The Group has therefore designed a remuneration policy to align director and executive reward with business objectives and shareholder value.

The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain high calibre management personnel and directors to run and manage the Group.

Remuneration Committee

The Remuneration Committee, established this year, assists the Board in fulfilling its responsibilities in relation to remuneration practices. The Committee is responsible for among other things, reviewing and where appropriate making recommendations to the Board on:

- remuneration of directors and executives;
- compensation arrangements for the Managing Director and executives, remuneration policies and practices, retirement, termination policies and practices, share schemes and other incentive schemes, superannuation arrangements and remuneration arrangements for members of the Board; and
- the Group's remuneration policies, packages and schemes, including issue of securities to directors or their associates under any equity-based incentives, which should be subject to shareholder approval.

Remuneration Structure

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

Non-executive Director Remuneration

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The maximum aggregate amount of annual fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting (currently \$300,000).

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DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

Fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and are able to participate in employee incentive option plans that may exist from time to time.

Executive Remuneration

Executive remuneration currently consists of fixed and variable remuneration (comprising short-term and long-term incentive schemes).

Fixed Remuneration

The Group's performance relies heavily on the quality of its KMP. The Group has therefore designed a remuneration policy to align non-executive director and executive reward with business objectives and shareholder value.

The fixed remuneration of the Company's KMP is detailed in page 16.

Variable Remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and KMP. Currently this is facilitated through bonus plans and through the issue of options and performance rights to KMP to encourage the alignment of personal and shareholder interests. The Group believes this policy will be effective in increasing shareholder wealth.

Directors and executives may be issued options to encourage the alignment of personal and shareholder interests. Options and performance rights issued to directors or executives may be subject to market-based price hurdles and vesting conditions and the exercise price of options is set at a level that encourages the directors and executives to focus on share price appreciation. The Group believes this policy will be effective in increasing shareholder wealth.

The Board may exercise discretion in relation to approving incentives such as options. The policy is designed to reward KMP for performance that results in long-term growth in shareholder value.

Remuneration of Directors and Executives

Details of the remuneration of the directors and the KMP (as defined in AASB 124 Related Party Disclosures) of Weebit are set out in the following tables.

WEEBIT NANO LIMITED
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DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

Key management personnel of Weebit Nano Limited

2022:	Short Term Benefits		Post Employment Benefits	Share Based Payments	Total	% of remuneration consisting of options and performance rights
Key Management Personnel	Salary and Fees	Non- Monetary				
	\$	\$	\$	\$	\$	
David Perlmutter	99,554	-	-	1,566,942	1,666,496	94%
Jacob Hanoch ¹	965,809*	-	-	2,167,853	3,133,662	69%
Fred Bart	45,000	-	-	174,071	219,071	79%
Ashley Krongold	45,000	-	-	164,993	209,993	79%
Yoav Nissan Cohen ²	147,215	-	-	345,491	492,706	70%
Atiq Raza	46,532	-	-	177,343	223,875	79%
Total	1,349,109	-	-	4,596,693	5,945,802	

2021:	Short Term Benefits		Post Employment Benefits	Share Based Payments	Total	% of remuneration consisting of options and performance rights
Key Management Personnel	Salary and Fees	Non- Monetary				
	\$	\$	\$	\$	\$	
David Perlmutter	103,309	-	-	475,655	578,964	82%
Jacob Hanoch ¹	733,932*	-	-	946,590	1,680,522	56%
Fred Bart	45,000	-	-	106,446	151,446	70%
Ashley Krongold	45,000	-	-	80,679	125,679	64%
Yoav Nissan Cohen ²	141,742	-	-	243,474	385,216	63%
Atiq Raza	43,984	-	-	105,738	149,722	71%
Total	1,112,967	-	-	1,958,582	3,071,549	

* Salary includes bonuses of \$580,436 (2021:\$373,911).

1. The appointment of Jacob Hanoch may be terminated by giving not less than 6 months' notice.
Jacob Hanoch shall disclose to the Company any specific issues that are or might reasonably create conflict of interest.
In the event that the foregoing engagement shall raise a major conflict of interest, the Board may require employee to resign from respective companies or terminate his contract upon 60 day notice.
2. The appointment of Yoav Nissan Cohen may be terminated by giving not less than 1 months' notice.

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DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

a) Shareholdings of key management personnel

The number of ordinary shares of Weebit held directly, indirectly or beneficially, by each Director, including their personally-related entities, as at balance date:

2022:

Directors	Held at 1 July 2021	Movement during year	Held at 30 June 2022
D. Perlmutter	1,813,746	255,734	2,069,480
J. Hanoch	532,672	112,373	645,045
F. Bart	596,237	162,431	758,668
A. Krongold	1,229,150	-	1,229,150
Y. Nissan Cohen	-	-	-
A Raza	361,613	(223,736)	137,877
Total	4,533,418	306,802	4,840,220

2021:

Directors	Held at 1 July 2020	Movement during year	Held at 30 June 2021
D. Perlmutter	1,456,603	357,143	1,813,746
J. Hanoch	354,101	178,571	532,672
F. Bart	399,809	196,428	596,237
A. Krongold	1,429,150	(200,000)	1,229,150
Y. Nissan Cohen	219,032	(219,032)	-
A Raza	133,077	228,536	361,613
Total	3,991,772	541,646	4,533,418

WEEBIT NANO LIMITED
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DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

b) Listed option, unlisted Options and Performance Rights holdings of Key Management Personnel

The number of unlisted options over ordinary shares in Weebit Nano Ltd held directly, indirectly or beneficially, by each specified Director and specified executive, including their personally-related entities, as at the balance date is as follows:

2022 (Unlisted Options):

Directors	Held at 1 July 2021	Movement during year	Held at 30 June 2022	Vested and exercisable at 30 June 2022
Dadi Perlmutter	1,800,000	1,050,000	2,850,000	1,378,125
Coby Hanoch	3,320,000	1,260,000	4,580,000	2,742,500
Fred Bart	360,000	80,000	440,000	286,253
Ashley Krongold	200,000	80,000	280,000	122,500
Yoav Nissan-Cohen	970,000	120,000	1,090,000	739,381
Atiq Raza	268,750	80,000	348,750	141,250
Total	6,918,750	2,670,000	9,588,750	5,410,009

For movement during the year refer to (a)

2022 (Performance Rights):

Directors	Held at 1 July 2021	Movement during year	Held at 30 June 2022	Vested and exercisable at 30 June 2022
F. Bart	128,000	-	128,000	128,000
Y. Nissan-Cohen	80,000	-	80,000	64,000
J. Hanoch	210,000	-	210,000	150,000
A Raza	80,000	-	80,000	40,000
Total	498,000	-	498,000	382,000

2022 (Listed options):

Directors	Held at 01-Jul-21	Movement during year	Held at 30-Jun-22
D. Perlmutter	357,143	357,143	-
J. Hanoch	178,571	178,571	-
F. Bart	196,428	196,428	-
A. Krongold	-	-	-
Y. Nissan Cohen	-	-	-
A Raza	89,286	89,286	-
Total	821,428	821,428	-

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DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

2021 (Unlisted Options):

Directors	Held at 1 July 2020	Movement during year	Held at 30 June 2021	Vested and exercisable at 30 June 2021
Dadi Perlmutter	1,300,000	500,000	1,800,000	718,750
Coby Hanoch	2,420,000	900,000	3,320,000	1,623,750
Fred Bart	260,000	100,000	360,000	173,750
Ashley Krongold	100,000	100,000	200,000	43,750
Yoav Nissan-Cohen	720,000	250,000	970,000	435,000
Atiq Raza	260,000	8,750	268,750	22,500
Total	5,060,000	1,858,750	6,918,750	3,017,500

2021 (Performance Rights):

Directors	Held at 1 July 2020	Movement during year	Held at 30 June 2021	Vested and exercisable at 30 June 2021
F. Bart	128,000	-	128,000	104,000
Y. Nissan-Cohen	136,000	(56,000)	80,000	32,000
J. Hanoch	210,000	-	210,000	30,000
A Raza	128,000	(48,000)	80,000	8,000
Total	602,000	(104,000)	498,000	174,000

2021 (Listed options):

Directors	Held at 01-Jul-20	Movement during year	Held at 30-Jun-21
D. Perlmutter	-	357,143	357,143
J. Hanoch	-	178,571	178,571
F. Bart	-	196,428	196,428
A. Krongold	-	-	-
Y. Nissan Cohen	-	-	-
A Raza	-	89,286	89,286
Total	-	821,428	821,428

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DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

- (a) During the current reporting period, 2,120,000 options and performance options were granted to directors. All the directors' options were issued on 14 December 2021, following approval at the AGM, at an exercise price of \$2.68 (equal to the volume weighted average market price calculated during the three trading days preceding the grant of the Options). The fair value of each option was \$2.77, calculated using the Black and Scholes model. The following figures were used for the fair value calculation: underlying share price - \$3.19, share price volatility – 89.80% and risk free interest rate – 1.84\$.

The Options shall be vested and be exercisable during a four year period (Vesting Period) based on the following:

1. 25% of the Options shall vest on the first anniversary of the date of issue; and
2. thereafter for a period of three years, 6.25% of the Options shall vest at the end of each quarter.

These options and rights will expire 10 years from the date of grant. For further details on the valuation assumptions, refer to the table below and Note 14 to the financial statements.

- (b) During the current reporting period, 550,000 performance options were granted to directors and issued on 4 October 2021. Shareholders approved the grant of these options at the Company's AGM on 17 November 2020. The options have an exercise price of \$0.823. The fair value of each option was \$3.23, calculated using the Black and Scholes model. The following figures were used for the fair value calculation: underlying share price - \$3.49, share price volatility – 88.90% and risk free interest rate – 1.81%.

The Options shall be vested and be exercisable during a four year period (Vesting Period) based on the following:

1. 25% of the Options shall vest on the first anniversary of the date of issue; and
2. thereafter for a period of three years, 6.25% of the Options shall vest at the end of each quarter.

These options and rights will expire 10 years from the date of grant. For further details on the valuation assumptions, refer to the table below and Note 14 to the financial statements.

*****END OF REMUNERATION REPORT*****

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DIRECTORS' REPORT (continued)

SHARE OPTIONS/PERFORMANCE RIGHTS

Shares under Option and Performance Rights

At the date of this report there are 16,752,092 unlisted options and 808,000 performance rights outstanding as summarised below:

Date Granted	Security Type	Expiry Date	Exercise Price	Number of shares under option
30-Nov-17	Unlisted Options	01-Oct-27	\$0.43875	1,120,000
24-Dec-18	Unlisted Options	01-Jan-28	\$1.44500	160,000
24-Dec-18	Unlisted Options	15-Feb-28	\$1.56500	160,000
24-Dec-18	Unlisted Options	05-Mar-28	\$1.27250	160,000
24-Dec-18	Unlisted Options	16-Oct-28	\$0.84750	800,000
24-Dec-18	Unlisted Options	01-Oct-27	\$0.43875	400,000
24-Dec-18	Performance Rights	1-Oct-27	Nil	210,000
24-Dec-18	Performance Rights	29-Jan-28	Nil	112,000
24-Dec-18	Performance Rights	5-Mar-28	Nil	128,000
26-Sep-19	Unlisted Options	14-Apr-29	\$0.4286	67,500
26-Sep-19	Unlisted Options	14-Aug-29	\$0.4468	100,000
26-Sep-19	Unlisted Options	14-Aug-29	\$0.74	768,750
26-Sep-19	Unlisted Options	14-Aug-29	\$0.54	1,468,749
26-Sep-19	Unlisted Options	16-Oct-29	\$0.39	100,000
26-Sep-19	Performance Rights	25-Sep-29	Nil	64,000
26-Sep-19	Performance Rights	14-Aug-29	Nil	80,000
30-Jul-20	Unlisted Options	26-Mar-30	A\$0.2312	108,125
30-Jul-20	Unlisted Options	25-Jun-30	A\$0.27	34,370
30-Jul-20	Performance Rights	26-Mar-30	Nil	20,000
13-Sep-20	Unlisted Options	13-Sep-30	A\$0.286	1,287,677
17-Sep-20	Unlisted Options	17-Sep-30	A\$0.823	2,500,000
24-Nov-20	Unlisted Options	24-Nov-30	A\$0.286	1,190,758
3-Feb-21	Performance Rights	3-Feb-31	Nil	74,000
4-Feb-21	Unlisted Options	4-Feb-31	A\$2.82	150,000
17-Mar-21	Unlisted Options	17-Mar-31	A\$2.82	100,000
25-Mar-21	Performance Rights	25-Mar-31	Nil	8,000
25-Mar-21	Unlisted Options	25-Mar-31	A\$2.63	117,000
16-Jul-21	Unlisted Options	3-Jun-31	A\$1.90	500,000
29-Sep-21	Performance Rights	29-Sep-25	Nil	12,000
27-Jan-22	Performance Rights	27-Jan-26	Nil	100,000
29-Sep-21	Unlisted Options	29-Sep-31	A\$2.68	662,000
29-Sep-21	Unlisted Options	25-Oct-31	A\$2.82	1,727,163
29-Sep-21	Unlisted Options	16-Nov-31	A\$2.68	2,120,000
1-Dec-21	Unlisted Options	1-Dec-31	A\$3.04	50,000
1-Dec-21	Unlisted Options	1-Dec-31	A\$3.04	50,000
1-Jan-22	Unlisted Options	1-Jan-32	A\$3.04	100,000
31-Mar-22	Unlisted Options	31-Mar-32	A\$2.96	300,000
1-Apr-22	Unlisted Options	20-Feb-32	A\$3.27	450,000

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DIRECTORS' REPORT (continued)

These unlisted options and performance rights do not entitle the holders to participate in any share issue of the Company or any other body corporate.

In addition to the above, the company has granted 150,000 options to employees which have not yet been issued on the ASX as at the date of this report.

PROCEEDINGS ON BEHALF OF THE Group

No person has applied to the Court under section 237 of the Corporations Act 2001 (Cth) for leave to bring proceedings on behalf of the Group, or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Group was not a party to any such proceedings during the year.

AUDIT SERVICES

During the year the following fees were paid or payable for services provided by the auditor.

Amounts received or due and receivable by Nexia Perth	Consolidated 2022 \$	Consolidated 2021 \$
Audit Services Pty Ltd		
An audit and review of the financial report of the parent and any other entity in the Group	52,600	43,350
Other services in relation to the parent and any other entity in the Group	27,700	2,700
Amounts received or due and receivable by BDO Israel		
BDO Israel – Audit and review of the subsidiary Weebit Nano Ltd (Israel)*	86,058	70,969
	166,358	117,019

*The fee for BDO Israel includes the audit of statutory financial statements for Weebit Nano Limited (Israel) and Weebit Nano SARL (France), as well as the audit of the tax return for Weebit Nano Ltd (Israel).

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DIRECTORS' REPORT (continued)

OFFICERS OF THE COMPANY WHO ARE FORMER AUDIT PARTNERS OF NEXIA

There are no officers of the Company who are former partners of Nexia.

AUDITOR'S INDEPENDENCE DECLARATION


The auditor's independence declaration as required under section 307C of the Corporations Act 2001 for the year ended 30 June 2022 has been received and can be found on page 35.

AUDITOR

Nexia Perth Audit Services Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors made pursuant to Section 298(2) of the Corporations Act 2001.

On behalf of the directors


[David Perlmutter \(Aug 25, 2022 10:47 GMT+3\)](#)

David Perlmutter
Chairman

Melbourne
25 August 2022

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CORPORATE GOVERNANCE STATEMENT

The Board is responsible for establishing the Company's corporate governance framework. In establishing its corporate governance framework, the Board has referred to the 4th edition of the ASX Corporate Governance Councils' Corporate Governance Principles and Recommendations. The Corporate Governance Statement discloses the extent to which the Company follows the recommendations. The Company will follow each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices will follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices will not follow a recommendation, the Board has explained its reasons for not following the recommendation and disclosed what, if any, alternative practices the Company will adopt instead of those in the recommendation. The Company's governance-related documents can be found on its website at www.weebit-nano.com under the section marked Corporate Governance.

Principle 1 – Lay solid foundations for management and oversight

Recommendation 1.1

A listed entity should have and disclose a board charter setting out:

(a) the respective roles and responsibilities of its board and management; and

(b) those matters expressly reserved to the board and those delegated to management.

The Company has established the respective roles and responsibilities of its Board and management, and those matters expressly reserved to the Board and those delegated to management and has documented this in its Board Charter.

The responsibilities of the Board include but are not limited to:

- a) Provide strategic direction for the Company and directing and monitoring the Company's performance against strategies;
- b) Establish goals for management and monitor the achievement of those goals;
- c) Review and oversee the operation of systems of risk management;
- d) Ensuring the overall corporate governance of the Company, including conducting regular reviews of the balance of responsibilities within the Company to ensure division of functions between management and the Board remain appropriate to the needs of the Company; and
- e) Formation and monitoring of corporate governance policies, codes of conduct and committees.

In exercising its responsibilities, the Board recognises that there are many stakeholders in the operations of the Company, including employees, shareholders, co-ventures, the government and the community.

A copy of the Board Charter is publicly available in the Corporate Governance section of the Company's website at <https://weebit-nano.com/corporate-governance/>

Recommendation 1.2

A listed entity should:

(a) undertake appropriate checks before appointing a director or senior executive or putting someone forward for election as a director; and

(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director

The Board carefully considers the character, experience, education and skillset, as well as interests and associations of potential candidates for appointment to the Board and conducts appropriate checks to verify the suitability of the candidate, prior to their election. The Company has appropriate procedures in place to ensure that material information relevant to a decision to elect or re-elect a director is disclosed in the notice of meeting provided to shareholders.

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Recommendation 1.3

A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

The Company has a written agreement with each of the Directors. The material terms of any employment, service or consultancy agreement the Company, or any of its child entities, has entered into with its Chief Executive Officer, any of its directors, and any other person or entity who is a related party of the Chief Executive Officer or any of its directors will be disclosed in accordance with ASX Listing Rule 3.16.4 (taking into consideration the exclusions from disclosure outlined in that rule).

Contract details of senior executives who are KMP are summarised in the Remuneration Report in the Company's Annual Report.

Recommendation 1.4

The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

The Company Secretary is accountable to the Board for facilitating the Company's corporate governance processes and the proper functioning of the Board. Each Director is entitled to access the advice and services of the Company Secretary.

In accordance with the Company's Constitution, the appointment or removal of the Company Secretary is a matter for the Board as a whole. Details of the Company Secretary's experience and qualifications are set out in the Annual Report.

Recommendation 1.5

A listed entity should:

(a) have and disclose a diversity policy;

(b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and

(c) disclose in relation to each reporting period:

(1) the measurable objectives set for that period to achieve gender diversity;

(2) the entity's progress towards achieving those objectives; and

(3) either:

(A) the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or

(B) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.

If the entity was in the S&P/ASX 300 Index at the commencement of the reporting period, the measurable objective for achieving gender diversity in the composition of its board should be to have not less than 30% of its directors of each gender within a specified period.

The Company is committed to creating a diverse working environment and promoting a culture which embraces diversity. Given the size of the Company and scale of its operations, however, the Board is of the view that a written diversity policy with measurable objectives for achieving gender diversity is not required at this time. Further, as the Company has not established measurable objectives for achieving gender diversity, the Company has not reported on progress towards achieving them.

Recommendations 1.6

A listed entity should:

(a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors; and

(b) disclose for each reporting period whether performance evaluation has been undertaken in accordance with that process during or in respect of that period.

Whilst the Company has a written policy (Board Charter), the Board recognises that as a result of the Company's size and the stage of the entity's life, the assessment of the directors' overall performance and its own succession plan is conducted on an informal basis.

The Board will review its performance by discussion and by reference to generally accepted Board performance standards. Evaluation of performance of the board is completed annually by the Directors. For FY22 this process occurred via each director completing a Board Review Questionnaire.

Recommendation 1.7

A listed entity should:

(a) have and disclose a process for evaluating the performance of its Senior Executives at least once every reporting period;

(b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.

The performance of the Company's Senior Executives, including the CEO, is reviewed regularly to ensure that Senior Executive members continue to perform effectively in their roles. Performance is measured against the goals and Company performance set at the beginning of the financial year and reviewed throughout the year. A performance evaluation for Senior Executives has occurred during the year in accordance with this process.

Principle 2 – Structure the board to be effective and add value

The Board of a listed entity should be of an appropriate size and collectively have the skills, commitment and knowledge of the entity and the industry in which it operates, to enable it to discharge its duties effectively and to add value.

Recommendation 2.1

The Board of a listed entity should:

(b) have a Nomination Committee which:

(b) has at least three members, a majority of whom are independent; and

(ii) is chaired by an Independent Director.

And disclose:

(iii) the Charter of the Committee;

(iv) the members of the Committee; and

(v) as at the end of each reporting period, the number of times the Committee met throughout the period and the individual attendances of the members at those meetings; or

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(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

As a result of the Company's size and the stage of the entity's life as a publicly listed junior technology company and given the size of the Board at present a Nomination Committee has not been established. The Board meets as a whole to consider new directors. The Board from time to time reviews the skill mix required for the Board and, where gaps are identified, embarks on a process to fill those gaps.

Recommendation 2.2

A listed entity should have and disclose a board skills matrix setting out the mix of skills that the board currently has or is looking to achieve in its membership.

The details of the skill set of the current Board members are set out in the description of each Director in the Annual Report. The Board has adopted the following Board Skills Matrix which sets out the mix of skills and diversity that the Board is looking to achieve in its membership. The Board Skills Matrix highlights the key skills and experience of the Board and the extent to which those skills are currently represented on the Board.

Skills and experience	Number of Directors/ Board representations (out of 6)
Executive leadership - Senior executive experience including international experience.	6
Board experience - Experience as a board member or member of a governance body.	6
Financial acumen - Senior executive or equivalent experience in financial accounting and reporting, corporate	6
Semiconductor - Experience related to the Semiconductor market, connections to key companies in the domain.	4
ASX and Australian public market - Experience in raising capital in Australia, knowledge of the Australian	4
Strategy - Experience in developing, implementing and challenging a plan of action designed to achieve the long-term goals of an organisation, including information	6
Capital management - Experience in capital management strategies, including capital partnerships, debt financing	6

Recommendation 2.3

A listed entity should disclose:

(a) the names of the Directors considered by the Board to be Independent Directors;

(b) if a Director has an interest, position or relationship that might raise issues about the independence of a Director but the Board is of the opinion that it does not compromise the independence of the Director, the nature of the interest, position or relationship in question and an explanation of why the Board is of that opinion; and

(c) the length of service of each Director.

As at 30 June 2022, the board consisted of six directors, four of whom are Independent Non-Executive Directors. The Board considers David Perlmutter (Non-executive Chairman), Ashley Krongold (Non-executive Director), Fred Bart (Non-executive Director) and Atiq Raza (Non-executive Director) to be Independent Directors. The length of service of each Director has been disclosed in the Annual Report.

Recommendation 2.4

The majority of the Board of a listed entity should be independent Directors.

As noted under Recommendation 2.3, the Board comprises six Directors of whom four are considered Independent Directors. The Board comprises a majority of independent directors and is satisfied that its current composition is suitable for the Company given its resources, size and operations. The current structure and composition of the Board has been determined having regard to the nature and size of the Company, the skill set of the Company's directors both individually and collectively, and the best interests of shareholders. The Board believes that independent judgment is achieved and maintained in respect of its decision-making processes. Furthermore, all directors are entitled to seek independent professional advice as and when required. The directors believe that they are able to objectively analyse the issues before them in the best interests of all shareholders and in accordance with their duties as directors.

Recommendation 2.5

The Chair of the Board of a listed entity should be an independent Director, and in particular, should not be the same person as the CEO of the entity.

The Chairman, Mr David (Dadi) Perlmutter, is an Independent Director. His role as Chairman of the Board is separate from that of the Managing Director (who is responsible for the day-to-day management of the Company) and is in compliance with the ASX Recommendation that these roles not be exercised by the same individual.

Recommendation 2.6

A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.

The Board recognises that as a result of the Company's size and the stage of the entity's life, the Board has not put in place a formal program for inducting new directors. However, it does provide a package of background information on commencement and provides ready interaction with the Company's personnel to gain a stronger understanding of the business. The Board will define a specific training for new directors based on their background.

Principle 3 – Instill a culture of acting lawfully, ethically and responsibly

A listed entity should instill and continually reinforce a culture⁴⁰ across the organisation of acting lawfully, ethically and responsibly.

Recommendation 3.1

A listed entity should articulate and disclose its values.

The Company is committed to promoting good corporate conduct grounded by strong ethics and responsibility. The Company's values have been communicated across the Company and disclosed on the Company's website at <https://weebit-nano.com/company-values/>

Recommendation 3.2

A listed entity should:

- (a) have and disclose a code of conduct for its Directors, Senior Executives and employees; and***
- (b) ensure that the Board or a committee of the Board is informed of any material breaches of the code.***

The Company has established a Code of Conduct (Code), which addresses matters relevant to the Company's legal and ethical obligations to its stakeholders and ensures that the Board is informed of material breaches of the Code. It may be amended from time to time by the Board and is disclosed on the Company's website. The Code applies to all Directors, employees, contractors and officers of the Company.

A copy of the Company's Code of Conduct is publicly available in the Corporate Governance section of the Company's

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website at <https://www.weebit-nano.com/corporate-governance/>.

Recommendation 3.3

A listed entity should:

(a) have and disclose a whistleblower policy; and

(b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy.

The Board has developed a whistleblower policy, which applies to all Directors, employees, contractors and officers. Investigation findings under the whistleblower Policy and material breaches will be reported to the Board.

A copy of the Company's whistleblower policy is publicly available in the Corporate Governance section of the Company's website at <https://weebit-nano.com/corporate-governance/>

Recommendation 3.4

A listed entity should:

(a) have and disclose an anti-bribery and corruption policy; and

(b) ensure that the board or a committee of the board is informed of any material breaches of that policy.

The Board has adopted an anti-bribery and corruption policy, which applies to all Directors, employees, contractors and officers. Material breaches of the policy will be reported to the Board.

A copy of the Company's anti-bribery and corruption policy is publicly available in the Corporate Governance section of the Company's website at <https://weebit-nano.com/corporate-governance/>

Principle 4 – SAFEGUARD THE INTEGRITY OF CORPORATE REPORTS

A listed entity should have appropriate processes to verify the integrity of its corporate reports.

Recommendation 4.1

The Board of a listed entity should:

(a) have an Audit Committee which:

(i) has at least three members, all of whom are Non- Executive Directors and a majority of whom are independent Directors; and

(ii) is chaired by an independent Director, who is not the Chair of the Board.

and disclose:

(iii) the Charter of the Committee;

(iv) the relevant qualifications and experience of the members of the Committee; and

(v) in relation to each reporting period, the number of times the Committee met throughout the period and the individual attendance of the members at those meetings.

(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

WBT is not a Company required by ASX Listing Rule 12.7 to have an Audit Committee, although the ASX Corporate Governance principles recommend an Audit Committee is formed. The Board has not established an Audit Committee at this point in the Company's development. It is considered that the size of the Board along with the level of activity of the Company renders this impractical and the full Board considers in detail all corporate reporting, including the appointment and removal of the external auditor and the rotation of the audit engagement partner.

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Recommendation 4.2

The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Before approval of the financial statements the Board received assurance from the CEO and the CFO that the declaration provided in accordance with section 295A of the Corporations Act. Further, that it is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Board has also received from the CEO and the CFO written affirmations concerning the Company's financial statements as set out in the Directors' Declaration.

Recommendation 4.3

A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.

The Board and relevant Senior Management review any periodic corporate report that is released to the market that has not been audited or reviewed by an external auditor.

Principle 5 – Make timely and balanced disclosure

A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

Recommendation 5.1

A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.

The Company has adopted a Continuous Disclosure Policy which sets out policies and procedures for the Company's compliance with its continuous disclosure obligations under the ASX Listing Rules, and addresses financial markets communication, media contact and continuous disclosure issues. A copy of the Continuous Disclosure Policy is available in the Corporate Governance section of the Company's website at <https://weebit-nano.com/corporate-governance/>

Recommendation 5.2

A listed entity should ensure that its Board receives copies of all material market announcements promptly after they have been made.

The Board has received confirmation of release from the ASX Market Announcements Office whenever there has been a market release by the Company.

Recommendation 5.3

A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.

The Company ensures that all investor presentations are lodged with the ASX ahead of the presentation.

Principle 6 – Respect the rights of security holders

A listed entity should provide its security holders with appropriate information and facilities to allow them to exercise their rights as security holders effectively.

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Recommendation 6.1

A listed entity should provide information about itself and its governance to investors via its website.

The Company keeps investors informed of its corporate governance, financial performance and prospects via its website – www.weebit-nano.com. Investors can access copies of all announcements to the ASX, notices of meetings, annual reports and financial statements via <https://weebit-nano.com/asx-announcements/>, and Investor presentations via <https://weebit-nano.com/presentations-and-webcasts/>. Investors can access general information regarding the Company and the structure of its business by accessing the Company's website at <https://weebit-nano.com/about/>.

Recommendation 6.2

A listed entity should have an investor relations program that facilitates effective two-way communication with investors

The Board aims to ensure that shareholders are informed of all major developments affecting the Company's. In accordance with the ASX Recommendations, information is communicated to shareholders as follows:

- the annual financial report which includes relevant information about the operations of the Company during the year, changes in the state of affairs of the entity and details of future developments, in addition to the other disclosures required by the Corporations Act 2001;
- the quarterly cash flow and activities report and half yearly financial report lodged with the Australian Securities Exchange (ASX);
- notifications relating to any proposed major changes in the Company which may impact on share ownership rights that are submitted to a vote of shareholders;
- notices of all meetings of shareholders;
- publicly released documents including full text of notices of meetings and explanatory material- made available on the Company's website at www.weebit-nano.com;
- disclosure of the Company's Corporate Governance practices on the entity's website; and,
- email and other electronic means.

In addition to the abovementioned communication methods, the Company has maintained an active investor relations program to facilitate effective two-way communication with relevant equity market stakeholders. This program includes face to-face meetings with investors, broker analysts and proxy firms as well as responding to shareholder enquiries as appropriate. The Company utilises public investor webcasts and conference calls for key announcements such as the full year and half year financial results. To ensure that shareholders can obtain all relevant information to assist them in exercising their rights as shareholders, the Company has made available an email address and relevant contact for shareholders to make their enquiries.

The Board encourages effective participation at the Company's General Meetings by providing opportunity for shareholders to ask questions of the Company's directors and auditors.

The Company encourages shareholders to receive Company information electronically by registering their email address online with the Company's shareholder registry. The Company also allows shareholders to communicate electronically with the Company and share registry including providing shareholders the ability to submit proxy voting instructions online.

Recommendation 6.3

A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.

The Board encourages full participation of security holders at the General Meetings to ensure a high level of accountability and identification with the Company's strategy and goals. Before and during the General Meetings, the security holders are invited to raise questions regarding the operations and performance of the Company.

Recommendation 6.4

A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.

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All resolutions put to security holders at a meeting of security holders are decided by a poll.

Recommendation 6.5

A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

The Company provides its security holders the option to receive communications from and send communications to, the Company and the share registry electronically.

Principle 7 – Recognise and manage risk

A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

Recommendation 7.1

The Board of a listed entity should:

(a) have a committee(s) to oversee risk, each of which:

(i) has at least three members, a majority of whom are independent Directors; and

(ii) is chaired by an independent Director. and disclose

(iii) the Charter of the Committee;

(iv) the members of the Committee; and

(v) as at the end of each reporting period, the number of times the Committee met throughout the period and the individual attendances of the members at those meetings.

(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

Due to the size of the Board, the Company does not have a separate Risk Committee. The Board is responsible for the oversight of the Company's risk management and control framework. The Board has adopted a Risk Management Policy, which is disclosed on the Company's website.

Recommendation 7.2

The Board or a committee of the Board should:

(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the Board; and

(b) disclose, in relation to each reporting period, whether such a review has taken place.

The Board recognises that there are inherent risks associated with the Company's operations including technological, legal and other operational risks. The Board endeavors to mitigate such risks by continually reviewing the activities of the Company in order to identify key business and operational risks and ensuring that they are appropriately assessed and managed. No formal report in relation to the Company's management of its material business risks is presented to the Board. The Board reviews the risk profile of the Company and monitors risk informally throughout the year.

Recommendation 7.3

(a) if it has an internal audit function, how the function is structured and what role it performs; or

(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its governance, risk management and internal control processes.

Due to the Company's scale, it does not have a formal Internal Audit function. However, responsibility for risk management and maintenance of internal controls lies with several executives including the Chief Executive Officer and Chief Financial Officer, who monitor and report on compliance with the Company's policies and procedures and its legal and regulatory obligations and oversee any required remedial activities.

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Recommendation 7.4

A listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.

The Company constantly monitors and reviews the key risks that affect the Company and the management of those risks. They include economic, environment and social risks.

At the time of reporting, the Company has no material exposure to risks to our environmental and social sustainability profile.

Principle 8 – Remunerate fairly and responsibly

A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders and with the entity's values and risk appetite.

Recommendation 8.1

The board of a listed entity should:

(a) have a remuneration committee which:

(1) has at least three members, a majority of whom are independent directors; and

(2) is chaired by an independent director, and disclose:

(3) the charter of the committee;

(4) the members of the committee; and

(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

The Board has established a Remuneration Committee to assist in the discharge of its responsibilities. The role of the Remuneration Committee is to review and make recommendations to the Board on remuneration packages and policies related to the Directors and Senior Executives. The Remuneration Committee is also charged with ensuring that the remuneration policies and practices are consistent with the Company's strategic goals and objectives.

The Committee currently comprises David (Dadi) Perlmutter (Chair - Non-Executive Director), S. Atiq Raza (Non-Executive Director) and Jacob (Coby) Hanoch (Managing Director and CEO). The Remuneration Committee meets on an as-needed basis. The number of Remuneration Committee meetings held during the year is set out in the Directors' Report under Directors' Meetings.

Following each meeting, the Remuneration Committee reports to the Board on any matter that should be brought to the Board's attention and on any recommendation of the Remuneration Committee that requires Board approval. The Board has adopted a Remuneration Committee Charter, which describes the role, composition, functions and responsibilities of the Remuneration Committee and is disclosed on the Company's website at <https://weebit-nano.com/corporate-governance/>

Recommendation 8.2

A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

Details of the Company's policies on remuneration are set out in the Company's 'Remuneration Report' in each Annual

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Report published by the Company. This disclosure will include a summary of the Company's policies regarding the deferral of performance-based remuneration and the reduction, cancellation or claw-back of the performance-based remuneration in the event of serious misconduct or a material misstatement in the Company's financial statements.

Recommendation 8.3

A listed entity which has an equity-based remuneration scheme should:

(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and

(b) disclose that policy or a summary of it.

The Company's Security Trading Policy includes a statement prohibiting directors, officers and employees entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of their security holding in the Company or of participating in unvested entitlements under any equity based remuneration schemes.

Security Trading Policy

In accordance with ASX Listing Rule 12.9, the Company has adopted a trading policy which sets out the following information:

- a) closed periods in which directors, employees and contractors of the Company must not deal in the Company's securities;
- b) trading in the Company's securities which is not subject to the Company's trading policy; and
- c) the procedures for obtaining written clearance for trading in exceptional circumstances.

The Company's Security Trading Policy forms part of the Company's corporate policies and procedures and is available to all staff and on the Company's website at <https://weebit-nano.com/corporate-governance/>

Additional recommendations that apply only in certain cases

The following additional recommendations apply to the entities described within them.

Recommendation 9.1

A listed entity with a director who does not speak the language in which board or security holder meetings are held or key corporate documents are written should disclose the processes it has in place to ensure the director understands and can contribute to the discussions at those meetings and understands and can discharge their obligations in relation to those documents.

All directors speak the language that the meetings are held in.

Recommendation 9.2

A listed entity established outside Australia should ensure that meetings of security holders are held at a reasonable place and time.

The Company ensures that meetings of security holders are held at a reasonable place and time.

Recommendation 9.3

A listed entity established outside Australia, and an externally managed listed entity that has an AGM, should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

The external auditor of the Company is also invited to the Annual General Meeting of shareholders and is available to answer any questions concerning the conduct, preparation and content of the auditor's report. Pursuant to section 249K of the Corporations Act 2001 the external auditor is provided with a copy of the notice of meeting and related communications received by shareholders.

Lead auditor's independence declaration under section 307C of the Corporations Act 2001

To the directors of Weebit Nano Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2022 there have been:

- (i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Nexia Perth Audit Services Pty Ltd



M. Janse Van Nieuwenhuizen
Director

Perth
25 August 2022

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2022

	Note	Consolidated 2022 \$	Consolidated 2021 \$
Research and Development expenses (net)	3(t)	(16,776,687)	(5,344,067)
Sales and Marketing expenses		(2,350,508)	(1,262,439)
General and Administrative expenses	9	(8,371,598)	(4,633,424)
Finance income (costs)		(197,802)	(19,310)
Loss before tax		<u>(27,696,595)</u>	<u>(11,259,240)</u>
Income tax expense	5	-	-
Loss for the year		<u>(27,696,595)</u>	<u>(11,259,240)</u>
Other Comprehensive Income potentially reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		(321,309)	176,307
Total Comprehensive Loss for the year		<u>(28,017,904)</u>	<u>(11,082,933)</u>
Total Comprehensive Loss attributable to:			
Owners of the parent entity		<u>(28,017,904)</u>	<u>(11,082,933)</u>
Basic and Diluted Loss per share	4	(0.185)	(0.101)

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Note	Consolidated 30 June 2022 \$	Consolidated 30 June 2021 \$
ASSETS			
Current assets			
Cash and cash equivalents	11	50,247,738	21,726,173
Trade and other receivables	6	6,022,274	294,416
Total current assets		56,270,012	22,020,589
Non-current assets			
Plant and equipment		288,205	67,889
Right of use assets	7A	428,778	70,109
Long term deposit		21,180	50,950
Total non-current assets		738,163	188,948
TOTAL ASSETS		57,008,175	22,209,537
LIABILITIES			
Current liabilities			
Trade and other payables	8	1,597,613	993,835
Lease liability – current	7B	66,824	29,532
Total current liabilities		1,664,437	1,023,367
Non-current liabilities			
Lease liability – non-current	7B	348,001	19,615
Total non-current liabilities		348,001	19,615
TOTAL LIABILITIES		2,012,438	1,042,982
NET ASSETS		54,995,737	21,166,555
EQUITY			
Share capital	10	110,818,345	60,061,746
Reserves		22,661,335	11,892,157
Accumulated losses		(78,483,943)	(50,787,348)
TOTAL EQUITY		54,995,737	21,166,555

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2022

CONSOLIDATED 2022

	Note	Issued Capital \$	Foreign currency translation differences for foreign operations \$	Option Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2021		60,061,746	(699,401)	12,591,558	(50,787,348)	21,166,555
Loss for the year		-	-	-	(27,696,595)	(27,696,595)
Other comprehensive income		-	(321,309)	-	-	(321,309)
Total comprehensive loss for the year		-	(321,309)	-	(27,696,595)	(28,017,904)
Transactions with equity holders:						
Contributions of capital	10	35,443,051	-	-	-	35,443,051
Capital raising costs	10	(1,215,556)	-	-	-	(1,215,556)
Exercise of options	10	340,756	-	-	-	340,756
Exercise of listed options	10	16,188,348	-	-	-	16,188,348
Share-based payments	14	-	-	11,090,487	-	11,090,487
		-	-	-	-	-
Balance at 30 June 2022		110,818,345	(1,020,710)	23,682,045	(78,483,943)	54,995,737

CONSOLIDATED 2021

	Note	Issued Capital \$	Foreign currency translation differences for foreign operations \$	Option Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2020		36,133,657	(875,708)	7,639,009	(39,554,446)	3,342,512
Loss for the year		-	-	-	(11,259,240)	(11,259,240)
Other comprehensive income		-	176,307	-	-	176,307
Total comprehensive loss for the year		-	176,307	-	(11,259,240)	(11,082,933)
Transactions with equity holders:						
Contributions of capital	10	21,888,241	-	-	-	21,888,241
Capital raising costs	10	(2,485,382)	-	908,000	-	(1,577,382)
Exercise of options	10	1,028,435	-	-	-	1,028,435
Exercise of listed options	10	3,496,795	-	-	-	3,496,795
Share-based payments	14	-	-	4,070,887	-	4,070,887
Options expired		-	-	(26,338)	26,338	-
Balance at 30 June 2021		60,061,746	(699,401)	12,591,558	(50,787,348)	21,166,555

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

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CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2022

	Note	Consolidated 2022 \$	Consolidated 2021 \$
<i>Cash flows from operating activities</i>			
Interest Paid		(36,202)	(12,609)
Payments to suppliers and employees		(21,774,327)	(7,030,040)
Payments of leases		(5,442)	(5,751)
Net cash used in operating activities	11	(21,815,971)	(7,048,400)
<i>Cash flows from investing activities</i>			
Payments for Property, Plant and Equipment		(236,293)	(21,596)
(Increase) decrease in deposits and restricted cash		29,769	(37,444)
Net cash used in investing activities		(206,524)	(59,040)
<i>Cash flows from financing activities</i>			
Proceeds from issues of share capital	10	35,443,051	21,888,241
Proceeds from options exercise	10	16,529,104	4,525,230
Capital Raising Costs	10	(1,215,556)	(1,581,232)
Repayment of lease liabilities	7B	(212,535)	(113,901)
Net cash flows provided by financing activities		50,544,065	24,718,338
Net increase in cash and cash equivalents		28,521,565	17,610,898
Cash and cash equivalents at the beginning of the year		21,726,173	4,115,275
Cash and cash equivalents at the end of the year	11	50,247,738	21,726,173

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2022

NOTE 1: REPORTING ENTITY

Wee-bit Nano Ltd (the “Company” or “Wee-bit Nano”) is a company domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2022 comprise the Company and its subsidiaries (collectively referred to as the “Group”).

A description of the nature of the Group’s operations and its principal activities is included in the review of operations and activities in the Directors’ Report on page 7, which does not form part of this financial report.

NOTE 2: BASIS OF PREPARATION

This General Purpose Financial Report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The Consolidated Financial Statements and Notes of the Group comply with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

Wee-bit Nano Ltd is a company limited by shares. The financial report is presented in Australian Dollars which is the Group’s reporting currency and monetary amounts are rounded to the nearest dollar, except for earnings per share. Refer to Note 3(n) for the functional currencies of the Group.

This Consolidated Financial Report was approved and authorised for issue by the Board of Directors on 25 August 2022.

Financial Position

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

The Group reported a net loss for the period of \$27,696,595 (2021: \$11,259,240) and a cash outflow from operating activities of \$21,815,971 (2021: \$7,048,400). The Group had a net working capital surplus of \$54,605,575 (2021: \$20,997,222) including cash of \$50,247,738 at 30 June 2022 (June 2021: \$21,726,173). The loss mainly reflects the research and development activities of the Group.

Based on a cash flow forecast prepared by management, the Group’s working capital surplus at 30 June 2022 and the Group’s ability to raise funds and to reduce costs if necessary, the Directors consider the going concern basis of preparation to be appropriate.

Historical cost convention

These financial statements have been prepared on an accruals basis and under the historical cost convention.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

The significant policies which have been adopted in the preparation of this financial report are:

(a) Principles of Consolidation

Subsidiaries

The consolidated financial statements comprise the assets and liabilities of Weebit Nano Ltd and its subsidiaries at 30 June 2022 and the results of the subsidiaries for the year ended. A subsidiary is any entity controlled by Weebit Nano Ltd.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All inter-company balances and transactions, including unrealised profits arising from intra- entity transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered. Investments in subsidiaries are accounted for at cost in the individual financial statements of Weebit Nano Ltd. Subsidiaries are consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period which Weebit Nano Ltd has control.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values (see note 3(h)).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Segment Reporting

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

Operating segments have been identified based on the information provided to the chief operating decision maker – being the board of directors.

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in nature.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for “all other segments”.

(c) Income Tax

The income tax expense or benefit for the year is the tax payable on the current year's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Income Tax (continued)

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

(d) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authorities, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense item as applicable and receivables and payables in the balance sheet are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

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

(e) Trade and Other Receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to another party with no intention of selling the receivables. They are included in current assets, except for those with maturities greater than 12 months after the balance date which are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method, less any impairment losses.

(f) Property, Plant and Equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the items. Repairs and maintenance are charged to the Statement of Profit or Loss and Other Comprehensive Income during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate asset costs over their estimated useful lives, as follows:

- Computer equipment 3 years
- Software 3 years
- Plant & equipment 5 years

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, Plant and Equipment (continued)

Each asset's residual value and useful life is reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Statement of Profit or Loss and Other Comprehensive Income.

(g) Leases

Right of Use Assets

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 where 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 consolidated entity 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 consolidated entity 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.

Lease liabilities

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 consolidated entity'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 do 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; 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Business Combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, securities issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs, other than those associated with the issue of equity instruments, that the Group incurs in connection with a Business Combination are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the Statement of Profit or Loss and Other Comprehensive Income, but only after a reassessment of the identification and measurement of the net assets acquired.

(i) Impairment of Non-Financial Assets

Where an indicator of impairment exists, the Group makes a formal estimate of the recoverable amount. Where the carrying amount of an asset or cash generating unit exceeds its recoverable amount the asset or cash generating unit is considered impaired and is written down to its recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets or groups of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of combination.

(j) Share-Based Payments

The Group has provided payment to service providers and related parties in the form of share-based compensation whereby services are rendered in exchange for shares or rights over shares ('equity-settled transactions'). The cost of these equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using an appropriate option valuation model for services provided by employees or where the fair value of the goods and services received cannot be reliably estimated.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Share-Based Payments (continued)

For goods and services received where the fair value can be determined reliably, the goods and services and the corresponding increase in equity are measured at that fair value. The fair value of the options granted is adjusted to reflect market vesting conditions but excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable.

At each balance date, the entity revises its estimates of the number of options that are expected to become exercisable subject to non-market vesting conditions.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant parties become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects the number of awards that, in the opinion of the Directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

(k) Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(l) Finance income and expense

Finance income comprises interest income on funds invested, gains on disposal of financial assets and changes in fair value of financial assets held at fair value through profit or loss. Finance expenses comprise changes in the fair value of financial assets held at fair value through profit or loss and impairment losses on financial assets.

Interest income is recognised as it accrues in profit or loss, using the effective interest rate method.

(m) Issued Capital

Ordinary shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Earnings per Share

i) Basic earnings per share

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

ii) Diluted earnings per share

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

(o) Trade and other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Trade and other payables are stated at amortised cost, using the effective interest method.

(p) Foreign Currency Translation

i) Functional and presentation currency

The functional currency of Weebit Nano Ltd (Israel) (Weebit Israel) is US dollars. The functional currency of Weebit Nano Ltd is Australian Dollars. The functional currency of Weebit France (SARL) is Euro. The presentation currency of the Group is Australian Dollars.

ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(q) Significant Accounting Estimates and Assumptions

Critical accounting estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are Share-based payment transactions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Significant Accounting Estimates and Assumptions (continued)

The Company measures the cost of equity-settled transactions with management and other parties by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by the Board of Directors using either the Binomial or the Black-Scholes valuation methods, taking into account the terms and conditions upon which the equity instruments were granted. The assumptions in relation to the valuation of the equity instruments are detailed in Note 14. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Coronavirus (COVID-19) pandemic

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

(r) Comparative Information

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(s) Interest income

Interest income is recognised as interest is earned.

(t) Research and Development grants

Research and Development grants are recognised as and when the receipts are virtually certain. Weebit Nano SARL (France) recognised grants of ~\$5.7 million during the year ended 30 June 2022 which offsets the R&D expenses in the Statement of Comprehensive Income. In the year ended 30 June 2021 ~\$2 million of grants was recognized.

(u) Intangible Assets

An intangible asset is recognised, whether purchased or self-created (at cost) if, and only if:

- it is probable that the future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably

Initial recognition: research and development costs:

- All research costs are expensed as incurred:
- Development costs are capitalised only after technical and commercial feasibility of the asset for sale or use have been established. This means that the Company must intend and be able to complete the intangible asset and either use it or sell it and be able to demonstrate how the asset will generate future economic benefits.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Adoption of New and Revised Accounting Standards

The following accounting standards and interpretations are applicable for the first time in the year ending 30 June 2022:

- AASB 2021-2: Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2
- AASB 2021-3: Amendment to AASB 16 Leases - COVID-19 rent concessions
- AASB 2022-2: Amendments to Australian Accounting Standards – Extending Transition Relief Under AASB 1

The Group has reviewed the new and revised Standards and Interpretations in issue for the year ended 30 June 2022. As a result of this review the Group has determined that there is no material impact of the Standards and Interpretations in issue not yet adopted by the Group; therefore, no change is necessary to the Group's accounting policies.

(w) New accounting standards issued but not yet effective

The following accounting standards and interpretations have been issued but are not yet effective for the financial year ending 30 June 2022:

- AASB 2014-10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to AASB 10 and AASB 128)
- AASB 2020-3: Annual Improvements to IFRS Standards 2018–2020 and Other Amendments
- AASB 2020-1: Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current
- AASB 2021-2: Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates
- AASB 2021-5: Amendments to Australian Accounting Standards - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has reviewed the new and revised Standards and Interpretations in issue not yet adopted for the year ended 30 June 2022. As a result of this review the Group has determined that there is no material impact of the Standards and Interpretations in issue not yet adopted by the Group; therefore, no change is necessary to the Group's accounting policies.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4: LOSS PER SHARE

	Consolidated 2022 \$	Consolidated 2021 \$
Basic and diluted loss per share	(0.185)	(0.101)
Loss used in the calculation of basic and diluted loss per share	(27,696,595)	(11,259,240)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic loss per share	150,072,195	111,699,284
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted loss per share	150,072,195	111,699,284

Options outstanding during the year have not been taken into account in the calculation of the weighted average number of ordinary shares as they are considered anti-dilutive.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 5: INCOME TAX

Numerical reconciliation between aggregate tax expenses recognised in the Statement of Profit or Loss and Other comprehensive Income and tax expense calculated per the statutory income tax rate

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

	Consolidated 2022 \$	Consolidated 2021 \$
Accounting loss before income tax	(27,696,595)	(11,259,240)
Income tax (benefit) using the domestic corporation tax rate of 30% (2021: 30%)	(8,308,979)	(3,377,772)
Effect of tax rates in foreign jurisdictions	2,678,117	1,487,930
Prior year under and over in income tax	-	-
Effect of change in tax rate	-	203,847
Non-deductible expenses	82	-
Non-assessable income	(51)	-
Share based payments	3,327,146	1,221,266
Adjustment recognized in the current year in relation to the current tax of previous year	272,400	
Capital raising costs deductible	(437,413)	(706,219)
Unrecognised temporary differences	(205,494)	113,402
Unrecognised tax losses	2,674,192	1,057,546
Income tax (expense)/benefit	-	-

Weebit Nano Ltd has unrecognised tax losses arising in Australia & Israel which are available indefinitely to offset against future profits of the Group on the condition that the tests for deductibility against future profits are met.

(a) Unrecognised deferred tax assets

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

	Consolidated 2022 \$	Consolidated 2021 \$
Deductible temporary differences	6,900,126	1,074,148
Tax losses	5,983,247	9,340,527
	<u>12,883,373</u>	<u>10,414,675</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 6: TRADE AND OTHER RECEIVABLES

	Consolidated 2022 \$	Consolidated 2021 \$
<u>Current</u>		
RTC receivable in France (1)	5,566,703	-
GST Recoverable	188,326	73,164
Other receivables and prepayments	267,245	221,252
Total	6,022,274	294,416

The above amounts do not bear interest and their carrying amounts are equivalent to their fair value.

(1) Weebit Nano SARL (France) participates in a French government R&D incentive plan ("RTC"). According to this plan, Weebit Nano SARL (France) may claim each calendar year a partial refund on its R&D expenses. During 2021, Weebit Nano SARL (France) filed its request for a refund on 2020 R&D costs. The refund was received in April 2021. During 2022, Weebit Nano SARL (France) filed its request for a refund on 2021 R&D costs. The refund was received in July 2022.

NOTE 7: LEASES

NOTE 7A – RIGHT OF USE ASSETS

	Properties \$	Consolidated Motor Vehicles \$	Total \$
Balance at 1 July 2021	-	70,109	70,109
Derecognition of right of use assets	-	(70,109)	(70,109)
Additions to right-of-use assets	357,306	228,060	585,366
Amortisation charge for the year	(103,944)	(52,644)	(156,588)
Balance at 30 June 2022	253,362	175,416	428,778

The Group leases property for its offices and motor vehicles, under agreements of 3 years. The Company commenced a new office lease in July 2021 which has not been included in right of use assets as at 30 June 2021.

Payments associated with short-term leases totaling \$5,442 (2021: \$5,751) were recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 7B – LEASE LIABILITY

	Consolidated 2022 \$	Consolidated 2021 \$
Lease Liability Current	66,824	19,615
Lease Liability Non - Current	348,001	29,532
	414,825	49,147

The interest expense relating to lease liabilities for the year was \$48,380.

NOTE 8: TRADE AND OTHER PAYABLES

	Consolidated 2022 \$	Consolidated 2021 \$
Trade payables (a)	253,210	209,244
Accruals & accrued employee entitlements	699,349	463,810
Other payables (b)	644,754	320,781
	1,597,613	993,835

(a) Trade payables are non-interest bearing and are normally settled on 30-day terms.

(b) Other payables are non-trade payables, are non-interest bearing and have an average term of 3 months.

NOTE 9: GENERAL AND ADMINISTRATIVE

	Consolidated 2022 \$	Consolidated 2021 \$
Administration, insurance and compliance costs	365,000	325,723
Consultants and contractors	799,647	852,849
Amortisation and depreciation	133,942	42,355
Employee benefits expenses*	6,723,996	3,246,826
Other expenses	349,013	165,671
	8,371,598	4,633,424

* Included in employee benefits expenses is \$4,964,757 for share based compensation (2021: 1,929,355)

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 10: ISSUED CAPITAL & RESERVES

CONSOLIDATED AND PARENT ENTITY

	June 2022 No	June 2022 \$	June 2021 No	June 2021 \$
(a) Issued and Paid up Capital				
Fully paid ordinary shares	172,303,933	110,818,345	122,702,514	60,061,746
(b) Movements in fully paid shares on issue				
Balance at the start of the year	122,702,514	60,061,746	80,388,947	36,133,657
Shares issued in the year:				
Capital Raising	12,479,880	35,443,051	33,420,749	21,888,241
Capital Raising Costs*	-	(1,215,556)	-	(2,485,382)
Listed options exercised	35,974,108	16,188,348	7,770,655	3,496,795
Unlisted options and performance rights exercised	1,147,431	340,756	1,122,163	1,028,435
Balance at end of year	172,303,933	110,818,345	122,702,514	60,061,746

* No capital raising costs were settled via the issue of shares or options. (2021: \$908,000 of capital raising costs were settled via the issue of options to the broker). Refer to Note 14 Share Based Payments.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 11: CASH AND CASH EQUIVALENTS

	Consolidated 2022 \$	Consolidated 2021 \$
Cash at bank	50,247,738	21,726,173
	50,247,738	21,726,173

Reconciliation of cash

	Consolidated 2022 \$	Consolidated 2021 \$
Cash at the end of the financial year as shown in the consolidated statement of cash flows is reconciled to items in the balance sheet as follows:		
Cash and cash equivalents	50,247,738	21,726,173
	50,247,738	21,726,173

Reconciliation of cash flows from operating activities

	Consolidated 2022 \$	Consolidated 2021 \$
Reconciliation of cash flows from operations with loss after income tax:		
Loss for the year	(27,696,595)	(11,259,240)
Adjusted for – Non-cash items:		
Amortisation	156,588	86,365
Depreciation	15,977	19,612
Share-based payments (Note 14)	11,090,487	4,070,888
<i>Changes in assets and liabilities</i>		
Increase/(Decrease) in trade creditors and accruals	666,738	(47,509)
Decrease/(Increase) in other debtors	(5,727,857)	(94,823)
Movement in FCTR	(321,309)	176,307
Cash flows used in operations	(21,815,971)	(7,048,400)

Reconciliation of liabilities arising from financing activities

	Consolidated 2021 \$	Cash flows	Non-cash changes	Consolidated 2022 \$
Lease liabilities	49,147	(205,739)	571,389	414,825
Total	49,147	(205,739)	571,389	414,825

WEEBIT NANO LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 12: INTEREST IN CONTROLLED ENTITIES

The consolidated financial statements include the financial statements of Weebit Nano Ltd and the subsidiaries listed in the following table:

Name	Country of Incorporation	% Equity Interest 2022	\$ Investment 2022	% Equity Interest 2021	\$ Investment 2021
Weebit Nano Ltd (Israel)	Israel	100%	100%	100%	100%
Weebit Nano SARL (France)*	France	100%	100%	100%	100%

* held by Weebit Nano Ltd (Israel).

NOTE 13: RELATED PARTY TRANSACTIONS

Related party compensation and Equity Interests of Key Management Personnel Information on remuneration of Directors and Key Management Personnel including details of shares and option holdings is contained in the Remuneration Report within the Directors' Report.

Other related party transactions

No other related party transactions occurred during the year ending 30 June 2022 or the year ending 30 June 2021.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 14: SHARE BASED PAYMENTS

Share-based payment transactions

The Company completed the following share-based payment transactions during the year:

Date of Grant	Grantee	Number of options	Exercise price \$	Vesting Conditions	Expiry date	Under-lying share price \$	Share price volatility	Risk free interest rate	Fair Value \$
Unlisted Options									
29/09/2021	Employees	612,000	2.68	*	29/09/2031	2.63	90.24%	1.03%	1.96
29/09/2021	Advisor	50,000	2.68	*	29/09/2031	2.63	90.24%	1.50%	2.25
29/09/2021	Employee	50,000	2.68	*	29/09/2031	2.63	90.22%	1.47%	2.75
26/10/2021	Employee	100,000	2.68	*	26/10/2031	3.50	90.22%	1.47%	2.75
26/10/2021	Chairman	250,000	0.823	*	17/09/2030	3.49	88.90%	1.81%	3.23
26/10/2021	CEO	300,000	0.823	*	17/09/2030	3.49	88.90%	1.81%	3.23
4/02/2021	Employee	1,727,163	2.82	***	4/02/2031	2.79	92.3%	1.19%	2.13
16/11/2021	Directors	360,000	2.68	*	16/11/2031	3.19	89.80%	1.84%	2.77
16/11/2021	Chairman	800,000****	2.68	*	16/11/2031	3.19	89.80%	1.84%	2.77
16/11/2021	CEO	960,000****	2.68	*	16/11/2031	3.19	89.80%	1.84%	2.77
1/12/2021	Employee	150,000	3.04	*	1/12/2031	2.96	89.58%	1.48%	2.21
1/12/2021	Advisor	50,000	3.04	*	1/12/2031	2.96	89.58%	1.73%	2.53
2/01/2022	Employee	150,000	3.27	*	31/01/2032	3.35	88.87%	1.70%	2.51
2/20/2022	Employee	150,000	3.27	*	20/02/2032	3.08	88.80%	2.02%	2.28
4/01/2022	Employee	150,000	3.27	*	31/03/2032	2.65	88.14%	2.73%	1.92
4/01/2022	Employee	300,000	2.96	*	31/03/2032	2.65	88.14%	2.73%	1.95
Performance Rights									
29/09/2021	Employee	12,000	Nil	**	29/09/2031	2.63			2.63
10/03/2022	Employee	100,000	Nil	**	10/03/2032	2.77			2.77

*25% shall vest upon the completion of the first 12-month period following the grant and then 6.25% shall vest every 3 months thereafter.

**Performance rights- 25% shall vest each year, with the first tranche lock up for 12 months.

*** 25% shall on 1 January 2022 and then 6.25% shall vest every 3 months thereafter.

**** Out of which 320,000 options for CEO and 266,000 options for Chairman are conditional upon milestone achievement.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 14: SHARE BASED PAYMENTS (CONTINUED)

Share based payments expenses

	Consolidated 2022	Consolidated 2021
	\$	\$
Research and Development Expense	5,364,153	1,566,925
Sales and Marketing Expense	761,577	574,608
General and Administrative Expense	4,964,757	1,929,355
Capital Raising Costs (recognised directly in equity)	-	908,000
Total Share Based Payments for the Period	11,090,487	4,978,888

In addition to the options and performance rights detailed above, the options and performance rights granted in a previous year which existed and vested during the year were:

Date of Grant	Grantee	No. of options/ performance rights	Exercise price \$	Vesting Schedule	Contractual Term
Unlisted Options					
30.11.2017	CEO	1,120,000	0.43875	*	10 years
30.01.2018	Employees	290,000	1.7125	*	10 years
30.01.2018	Director	160,000	1.4450	*	10 years
15.02.2018	Director	160,000	1.5650	*	10 years
26.02.2018	Director	160,000	1.2725	*	10 years
28.11.2018	Director	800,000	0.8475	25% vest on 16/10/2019 and 6.25% on quarterly basis thereafter	10 years
28.11.2018	CEO	400,000	0.43875	*	10 years
12.10.2018	Consultant	180,000	1.3125	Fully vested	10 years
12.10.2018	Consultant	180,000	1.53125	Fully vested	10 years
14.04.2019	Employees	248,000	0.4286	*	10 years
14.8.2019	Employees	450,000	0.54	*	10 years
26.9.2019	CEO	900,000	0.54	*	10 years
26.9.2019	Director	400,000	0.54	*	10 years
26.9.2019	Directors	800,000	0.74	*	10 years
26.9.2019	Director	160,000	0.45	*	10 years
26.9.2019	Consultant	100,000	0.74	*	10 years
1.10.2019	Consultant	100,000	0.39	*	10 years
26.03.2020	Employees	310,000	0.2312	*	10 years
25.06.2020	Employee	50,000	0.27	*	10 years
13.09.2020	Employees	1,587,677	0.286	*	10 years
24.11.2020	Employees	1,587,677	0.823	*	10 years
17.11.2020	Directors	1,050,000	0.823	*	10 years
17.11.2020	CEO	900,000	0.823	*	10 years
4.02.2021	Employess	150,000	2.82	*	10 years
17.03.2021	Employees	100,000	2.82	*	10 years
25.03.2021	Employees	109,500	2.63	*	10 years
25.03.2021	Consultants	15,000	2.63	*	10 years
3.06.2021	Employees	500,000	1.9	*	10 years

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Date of Grant	Grantee	No. of options/ performance rights	Exercise Price \$	Vesting Schedule	Contractual Term
Performance Rights					
30.01.2018	Employees	32,000	N/A	**	10 years
15.02.2018	Director	16,000	-	*	10 years
15.02.2018	Director	64,000	-	*	10 years
28.11.2018	CEO	210,000	-	*	10 years
26.02.2018	Director	128,000	-	*	10 years
29.7.2019	Employee	64,000	-	**	10 years
26.9.2019	Director	80,000	-	*	10 years
26.03.2020	Employees	20,000	-	**	10 years
02.04.2021	Employees	74,000	-	**	10 years
25.03.2021	Employees	8,000	-	**	10 years

* 4 years: 25% after 1 year, and 12 equal quarterly portions thereafter

** 25% shall vest each year, with the first tranche lock up for 12 months.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 14: SHARE BASED PAYMENTS (CONTINUED)

A summary of the movements of all Company options issued as share-based payments is as follows:

	2022	Weighted
	Number	Average Price
		\$
Outstanding at the beginning of the year	11,992,041	0.692
Granted	6,159,163	2.247
Forfeited	(128,681)	0.661
Exercised	(1,120,431)	0.376
Outstanding at year-end	16,902,092	1.421

Included in the options granted are 150,000 options which have performance conditions. These options have not yet been issued on the ASX as at 30 June 2022.

The outstanding options have a weighted average contractual life of 8.07 years (2021: 8.4 years)

A summary of the movements of all Company performance rights issued as share-based payments is as follows:

	2022	2021
	Number	Number
Outstanding at the beginning of the year	838,391	1,024,741
Granted	112,000	82,000
Exercised	(27,000)	(264,350)
Forfeited	-	(4,000)
Expired	(115,391)	-
Outstanding at the end of the year	808,000	838,391

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 15: AUDITORS' REMUNERATION

	Consolidated 2022 \$	Consolidated 2021 \$
<i>Amounts received or due and receivable by Nexia Perth Audit Services Pty Ltd:</i>		
An audit or review of the financial report of the parent and any other entity in the Group	52,600	43,350
Other services in relation to the parent and any other entity in the Group	27,700	2,700
<i>Amounts received or due and receivable by BDO Israel</i>		
*Audit and review of the subsidiaries Weebit Nano Ltd (Israel) and Weebit Nano SARL (France)	86,058	70,969
	166,358	117,019

*The fee for BDO Israel includes the audit of statutory financial statements for Weebit Nano Ltd (Israel) and audit of tax return for Weebit Nano Ltd (Israel).

NOTE 16: FINANCIAL RISK MANAGEMENT

Risk management is carried out by the CEO.

Foreign Currency Risk

As a result of significant operations in the Israel and France, the Group's statement of financial position can be affected significantly by movements in the NIS/USD, EURO/AUD USD/AUD exchange rates. As at the end of the reporting period the Group's exposure to foreign currency risk was considered immaterial by the Company and therefore no sensitivity analysis has been disclosed.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating entity in currencies other than the functional currency.

Price risk

The Group is not directly exposed to any price risk.

Interest rate risk

The Group's cash balances are subject to changes in interest rates.

a) Credit Risk

The Group has no significant concentrations of credit risk except cash at bank with various banks

b) Liquidity Risk

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate working capital is maintained for the coming months. Upcoming capital needs and the timing of raisings are assessed by the Board at each Meeting of Directors.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 16: FINANCIAL RISK MANAGEMENT (CONTINUED)

The following are the contractual maturities of the financial liabilities, including estimated interest payments and excluding the impact of netting arrangements:

Nature of financial liabilities	Carrying Amount \$	Contractual cash flows \$	< 1year \$	1 - 5 years \$	> 5 years \$
Trade and other payables					
At 30 June 2022	1,597,613	1,597,613	-	-	-
At 30 June 2021	993,833	993,833	-	-	-
Lease liability					
At 30 June 2022	414,825	414,825	66,824	341,599	6,402
At 30 June 2021	49,117	49,117	29,532	19,615	-

c) Cash flow and Interest Rate Risk

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result in changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, only cash is affected by interest rate risk as cash is the Group's only financial asset exposed to fluctuating interest rates.

In accordance with AASB 9 the following sensitivity analysis has been performed for the Group's Interest Rate risk:

Consolidated Risk Variable	Sensitivity	Effect On: Profit 2022 \$	Effect On: Equity 2022 \$	Effect On: Profit 2021 \$	Effect On: Equity 2021 \$
Interest Rate	1%	502,477	502,477	217,260	217,260
	-1%	(502,477)	(502,477)	(217,260)	(217,260)

* It is considered that 100 basis points a 'reasonably possible' estimate of the sensitivity in the interest rate.

The fair values of all financial assets and liabilities of the Group approximate their carrying values.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group's capital includes ordinary share capital and share options, supported by financial assets.

There were no changes in the Group's approach to capital management during the year ended 30 June 2022. Neither the Company nor the Group are subject to externally imposed capital requirements.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 17: SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There were no significant events after the balance date.

NOTE 18: COMMITMENTS

As at 30 June 2022, the Group had the following commitments:

	Within 1 year	Greater than 1 year
Contracted future payments to Leti	\$2,356,366	\$nil
Contracted future payments for others	\$2,024,787	\$146,700

NOTE 19: SEGMENT REPORTING

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

During the year the Company has only operated in one segment and that was the development of the next generation of Non-Volatile Memory using a Resistive RAM (ReRAM) technology based on fab-friendly materials.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 20: PARENT COMPANY DISCLOSURES

	2022	2021
	\$	\$
Results of the parent entity		
Loss for the year	(28,017,902)	(13,674,396)
Financial position of the parent entity at year end		
Current assets	47,072,574	18,494,806
Non-Current Assets	44,043,892	22,620,446
Provision for non-recovery of loans	(36,071,215)	(19,855,939)
Total assets	55,045,251	21,259,316
Current liabilities	49,514	92,761
Total liabilities	49,514	92,761
Total equity of the parent entity comprising:		
Share capital	110,818,346	60,061,746
Reserves	23,682,045	12,591,558
Accumulated losses	(79,504,654)	(51,486,752)
Total equity	54,995,737	21,166,555

Parent Entity Contingencies

The Directors are not aware of any contingent liabilities that may arise from the Company's operations as at 30 June 2022 apart from as disclosed elsewhere in this report.

DIRECTORS' DECLARATION


In the Directors' opinion:

- a) the financial statements and notes set out on pages 36 to 64 and the Remuneration Report in the Directors' Report are 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 2022 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the year ended on that date; and
 - ii. complying with Australian Accounting Standards, Corporations Regulations 2001 and other mandatory professional reporting requirements.
- b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
- c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

This declaration is made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the year ended 30 June 2022.

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

On behalf of the Board


[David Perlmutter \(Aug 25, 2022 10:47 GMT+3\)](#)

David Perlmutter
Chairman

25 August 2022
Melbourne

Independent Auditor's Report to the Members of Weebit Nano Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Weebit Nano Limited ("the Company") and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & 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.

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.

Key audit matter	How our audit addressed the key audit matter
<p>Future Funding (Refer to Note 2)</p> <p>The Group's primary activity is research and development, which is funded through equity raising as the Group does not yet have revenue generating activities.</p> <p>As disclosed in Note 2, the Group reported an operating loss after tax for the year ended 30 June 2022 of \$27,696,595 of which \$11,090,487 represented share based payment expenses. The Group reported net cash outflows from operating activities of \$21,815,971.</p> <p>The adequacy of funding and liquidity, as well as the relevant impact on the going concern assessment, is a key audit matter due to the significance of management's judgments and estimates in respect of this assessment.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> ▪ Checking the mathematical accuracy of the cash flow forecast prepared by management; ▪ Evaluating the reliability and completeness of management's assumptions by comparing them to our understanding of the Group's future plans and operating conditions; ▪ Obtaining an understanding of management's forecast and evaluating the sensitivity of assumptions made by management; and ▪ Considering events subsequent to year end to determine whether any additional facts or information have become available since the date on which management made its assessment.

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 2022, 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 the 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 consolidated 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 consolidated financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 17 of the Directors' Report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Weebit Nano Limited for the year ended 30 June 2022 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.

NPAS

Nexia Perth Audit Services Pty Ltd



M. Janse Van Nieuwenhuizen

Director

Perth

25 August 2022

WEEBIT NANO LIMITED
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ASX ADDITIONAL INFORMATION

Additional information required by the ASX Limited Listing Rules not disclosed elsewhere in this Annual Report is set out below. This information is dated as at 11 August 2022.

CAPITAL

a) Ordinary Share Capital

172,303,933 ordinary fully paid shares. All ordinary shares carry one vote per share.

b) Unlisted Options over Unissued Shares

16,752,092 unlisted options.

Number	Exercise price	Expiry date
1,120,000	\$0.43875	30-Nov-17
160,000	\$1.44500	24-Dec-18
160,000	\$1.56500	24-Dec-18
160,000	\$1.27250	24-Dec-18
800,000	\$0.84750	24-Dec-18
1,520,000	\$0.43875	24-Dec-18
67,500	\$0.4286	26-Sep-19
100,000	\$0.4468	26-Sep-19
768,750	\$0.74	26-Sep-19
1,468,749	\$0.54	26-Sep-19
100,000	\$0.39	26-Sep-19
108,125	A\$0.2312	30-Jul-20
34,370	A\$0.27	30-Jul-20
1,287,677	A\$0.286	13-Sep-20
2,500,000	A\$0.823	17-Sep-20
1,190,758	A\$0.286	24-Nov-20
150,000	A\$2.82	4-Feb-21
100,000	A\$2.82	17-Mar-21
117,000	A\$2.63	25-Mar-21
500,000	A\$1.90	16-Jul-21
662,000	A\$2.68	29-Sep-21
1,727,163	A\$2.68	29-Sep-21
2,120,000	A\$2.68	29-Sep-21
50,000	A\$3.04	1-Dec-21
50,000	A\$3.04	1-Dec-21
100,000	A\$3.02	1-Jan-22
150,000	A\$3.27	1-Feb-22
150,000	A\$3.27	1-Apr-22
450,000	A\$3.27	1-Apr-22

WEEBIT NANO LIMITED
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ASX ADDITIONAL INFORMATION (CONTINUED)

- c) Performance Rights
- d) 808,000 Performance Rights with an exercise price of \$NIL.

Number	Expiry Date
64,000	25-September-29
210,000	01-Oct-27
112,000	29-Jan-28
128,000	05-Mar-28
80,000	14-Aug-29
20,000	26-Mar-30
74,000	3-Feb-31
8,000	25-Mar-31
12,000	29-Sep-25
100,000	27-Jan-26

WEEBIT NANO LIMITED
ACN: 146 455 576

TOP 20 SHAREHOLDERS AS AT 11 AUGUST 2022

Rank	Name	Number of ordinary shares held	% of issued capital
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,091,416	5.28
2	CITICORP NOMINEES PTY LIMITED	4,671,273	2.71
3	KETOM PTY LTD <BECHLER FAMILY A/C>	2,368,461	1.37
4	ARVADA PTY LTD	2,170,000	1.26
5	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	1,883,287	1.09
6	BEARAY PTY LIMITED <BRIAN CLAYTON S/F A/C>	1,645,505	0.96
7	ARVADA PTY LTD	1,600,000	0.93
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <EUROCLEAR BANK SA NV A/C>	1,416,719	0.82
9	IBI TRUST MANAGEMENT <JAMES TOUR A/C>	1,309,462	0.76
10	SILVER HORIZON PTY LTD	1,229,150	0.71
11	IBI TRUST MANAGEMENT <DAVID PERLMUTTER A/C>	1,153,500	0.67
12	BNP PARIBAS NOMINEES PTY LTD BARCLAYS <DRP A/C>	1,064,832	0.62
13	DROXFORD INTERNATIONAL LIMITED	1,044,000	0.61
13	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	1,037,698	0.60
15	MR DAVID DEWAR JOHNSON + MRS LUCY JULIA JOHNSON <CAZSAM SUPER FUND A/C>	1,003,500	0.58
16	MR ERIC MARK CASPARY	993,505	0.58
17	MR DAVID ELIMELECH PERLMUTTER	867,389	0.50
18	MR ELI STAUB	825,000	0.48
19	BT PORTFOLIO SERVICES LIMITED <BEARDSLEY SUPER FUND A/C>	814,118	0.47
20	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	803,587	0.47
Top 20 holders of ordinary shares		36,992,402	21.47
Total remaining holders balance		135,311,531	78.53

WEEBIT NANO LIMITED
ACN: 146 455 576

DISTRIBUTION OF SHAREHOLDERS AS AT 11 AUGUST 2022

Range	Total holders	Units	% Units
1 - 1,000	4,626	2,247,094	1.30
1,001 - 5,000	4,199	10,578,529	6.14
5,001 - 10,000	1,195	8,955,549	5.20
10,001 - 100,000	1,785	52,895,304	30.70
100,001 Over	296	97,627,457	56.66
Total	12,101	172,303,933	100.00

Unmarketable Parcels

Minimum Parcel Size	Holders	Units
Minimum \$500.00 parcel at \$2.88 per unit	485	48,396

There is no current on-market buy-back.

SUBSTANTIAL SHAREHOLDERS AS AT 11 AUGUST 2022

There are no substantial shareholders of the Company as at 11 August 2022.

RESTRICTED SECURITIES

The Company had 105,984 ordinary shares subject to voluntary escrow as at 11 August 2022.

PRINCIPAL REGISTERED OFFICE

As disclosed in the Corporate directory on page 1 of this Annual Report.

REGISTERS OF SECURITIES

As disclosed in the Corporate directory on page 1 of this Annual Report.

STOCK EXCHANGE LISTING

Quotation has been granted for all the ordinary shares of the Company on the Australian Securities Exchange, as disclosed in the Corporate directory on page 1 of this Annual Report.

USE OF FUNDS

The Company has used its funds in accordance with its initial business objectives.