

1. Company details

| | |
|--------------------------------|--|
| Name of entity: | BirdDog Technology Limited and controlled entities |
| ABN: | 18 653 360 448 |
| Reporting period: | For the year ended 30 June 2022 |
| Previous corresponding period: | For the year ended 30 June 2021 |

2. Results for announcement to the market

| | | | \$'000 |
|--|------|-----------|---------------|
| Revenues from ordinary activities | up | 0.1% to | 38,243 |
| Loss from ordinary activities after tax attributable to the owners of BirdDog Technology Limited and controlled entities | down | 250.6% to | (2,039) |
| Loss for the year attributable to the owners of BirdDog Technology Limited and controlled entities | down | 250.6% to | (2,039) |

Dividends

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

Comments

The loss for the Group after providing for income tax amounted to \$2,039,232 (30 June 2021: profit of \$1,354,034). The loss for the year largely relates to a one-off, non-cash interest expense of \$1.96 million to bring the host debt contract portion of the convertible notes to their present value under the effective interest method, as well as a non-cash gain of \$0.25 million on the embedded derivative through to conversion date. No coupon interest was paid to noteholders during the current financial year as the notes converted to ordinary shares prior to the first coupon interest date. These adjustments, amongst other items, are disclosed within the EBITDA reconciliation table below.

For the year ended 30 June 2022, BirdDog Technology Limited and its controlled entities (the "Group") reported an increase in revenue from contracts with customers of 0.1% to \$38.24 million from \$38.22 million in the previous corresponding period ("PCP"), for the twelve months ended 30 June 2021.

The directors consider Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") to reflect the core earnings of the Group. EBITDA is a financial measure which is not prescribed by Australian Accounting Standards (AAS) and represents the profit under AAS adjusted for interest, tax, depreciation and amortisation.

Non-IFRS measures

Within this Appendix 4E the Group has included certain non-IFRS financial information, including EBITDA and Underlying Earnings. The Group believes that these non-IFRS measures provide useful information to recipients for measuring the underlying operating performance of the Group. Non-IFRS measures have not been subject to audit or review.

Underlying Earnings represents EBITDA adjusted for additional non-recurring transaction costs associated with the company's IPO and other items of significance, some of which may not recur.

| | Consolidated | |
|--|----------------|----------------|
| | 2022 \$'000 | 2021 \$'000 |
| Profit/(Loss) after income tax expense for the financial year | (2,039) | 1,354 |
| Interest income | (3) | - |
| Fair value gain on embedded derivative | (250) | (11) |
| Interest expense - Convertible Note (Host Debt contract) | 1,961 | 233 |
| Interest expense - Trade Loans | 201 | 232 |
| Interest expense - Loans with related parties | - | 144 |
| Interest expense - Lease Liabilities | 28 | 7 |
| Income tax (benefit)/expense | (502) | 326 |
| Depreciation and amortisation | 148 | 74 |
| EBITDA | (456) | 2,359 |
| ASX listing fees | 189 | - |
| Grant income (30 June 2021: EMDG \$100k & CashFlow Boost \$35k) | - | (135) |
| Underlying Earnings | (267) | 2,224 |

3. Net tangible assets

| | Reporting period Cents | Previous period Cents |
|---|------------------------------|-----------------------------|
| Net tangible assets per ordinary security | 21.62 | 0.25 |

The net tangible assets per ordinary share amount is calculated based on 204,615,385 ordinary shares on issue as at 30 June 2022. For the comparative period the number of shares used of 120,615,385 has been adjusted retrospectively to account for the share split undertaken during the current year.

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

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

Not applicable.

10. Audit qualification or review

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

The financial statements have been audited and an unmodified opinion has been issued.

11. Attachments

Details of attachments (if any):

The Statutory Financial Statements of BirdDog Technology Limited and controlled entities for the year ended 30 June 2022 is attached.

12. Signed



Signed _____

John Dixon
Non-executive Chairman

Date: 31 August 2022

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BirdDog Technology Limited and controlled entities

ABN 18 653 360 448

Statutory Financial Statements - 30 June 2022

For personal use only

BirdDog Technology Limited and controlled entities
Corporate directory
30 June 2022



| | |
|--------------------------------|---|
| Directors | John Dixon (Non-executive Chairman) Dan Miall (Managing Director and Chief Executive Officer) Joanne Moss (Non-executive Director) Andrew Baxter (Non-executive Director) |
| Company secretary | Justin Mouchacca |
| Chief Financial Officer | Barry Calnon |
| Registered office | Level 21, 459 Collins Street Melbourne VIC 3000 +61 3 8630 3321 |
| Principal place of business | Level 4 1-9 Sackville Street Collingwood VIC 3066 |
| Share register | Automic Pty Ltd 477 Collins Street Melbourne, Victoria 3000 Ph: 1300 288 664 |
| Auditor | Pitcher Partners Level 13, 664 Collins Street Docklands VIC 3008 |
| Stock exchange listing | BirdDog Technology Limited's shares are listed on the Australian Securities Exchange (ASX code: BDT) |
| Website | https://birddog.tv |
| Corporate Governance Statement | The Company's Corporate Governance Statement has been released to ASX on this day and is available on the Company's website at the following link: https://birddog.tv/investor |

BirdDog Technology Limited and controlled entities

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30 June 2022



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The directors present their report, together with the financial statements of the consolidated entity consisting of BirdDog Technology Limited (the "Company" or "parent entity") and controlled entities (the "Group") for the year ended 30 June 2022, and independent audit report thereon.

A copy of the Group's Corporate Governance Policy is available at <https://birddog.tv/investor>.

BirdDog Technology Limited became the holding company of the Group replacing BirdDog Australia Pty Ltd following a corporate restructure ("the Restructure") which was implemented in November 2021. Under the Restructure, the shareholders in BirdDog Australia Pty Ltd exchanged their shares in BirdDog Australia Pty Ltd for a proportionate number of shares in BirdDog Technology Limited. The Restructure has been accounted for as a capital re-organisation. The financial statements of the Group present a continuation of the historical financial statements of BirdDog Australia Pty Ltd and its controlled entities.

Directors

The following persons were directors of BirdDog Technology Limited and controlled entities during the whole of the financial year and up to the date of this report, unless otherwise stated:

- Mr John Dixon - Non-executive Chairman (appointed 6 September 2021)
- Mr Dan Miall - Managing Director and Chief Executive Officer (appointed 2 September 2021)
- Ms Joanne Moss - Non-executive Chairman (appointed 6 September 2021)
- Mr Andrew Baxter - Non-executive Director (appointed 3 September 2021)
- Mr Eamon Drew - Executive Director (appointed 2 September 2021, resigned 8 November 2021)
- Mr Barry Calnon - Executive Director (appointed 2 September 2021, resigned 8 November 2021)

Principal activities

During the financial year the principal continuing activities of the Group consisted of:

- developing and manufacturing global video technology that enhances the quality, speed and flexibility of video through a range of solutions, augmented with NDI®. These solutions are then sold through a network of distributors and resellers and direct, to individuals and organisations within professional video, corporate AV and digital signage markets who demand broadcast quality video content.

There were no significant changes in the nature of these activities during the financial year.

Dividends

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

Review of operations

The loss for the Group after providing for income tax amounted to \$2,039,232 (30 June 2021: profit of \$1,354,034). The loss for the year largely relates to a one-off, non-cash interest expense of \$1.96 million to bring the host debt contract portion of the convertible notes to their present value under the effective interest method, as well as a non-cash gain of \$0.25 million on the embedded derivative through to conversion date. No coupon interest was paid to noteholders during the current financial year as the notes converted to ordinary shares prior to the first coupon interest date. These adjustments, amongst other items, are disclosed within the EBITDA reconciliation table below.

For the year ended 30 June 2022, BirdDog Technology Limited and its controlled entities (the "Group") reported an increase in revenue from contracts with customers of 0.1% to \$38.24 million from \$38.22 million in the previous corresponding period ("PCP"), for the twelve months ended 30 June 2021.

The directors consider Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") to reflect the core earnings of the Group. EBITDA is a financial measure which is not prescribed by Australian Accounting Standards (AAS) and represents the profit under AAS adjusted for interest, tax, depreciation and amortisation.

Non-IFRS measures

Within this Directors' report the Group has included certain non-IFRS financial information, including EBITDA and Underlying Earnings. The Group believes that these non-IFRS measures provide useful information to recipients for measuring the underlying operating performance of the Group. Non-IFRS measures have not been subject to audit or review.

Underlying Earnings represents EBITDA adjusted for additional non-recurring transaction costs associated with the company's IPO and other items of significance, some of which may not recur.

| | Consolidated | |
|--|---------------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Profit/(Loss) after income tax expense for the financial year | (2,039) | 1,354 |
| Interest income | (3) | - |
| Fair value gain on embedded derivative | (250) | (11) |
| Interest expense - Convertible Note (Host Debt contract) | 1,961 | 233 |
| Interest expense - Trade Loans | 201 | 232 |
| Interest expense - Loan with related parties | - | 144 |
| Interest expense - Lease liabilities | 28 | 7 |
| Income tax (benefit)/expense | (502) | 326 |
| Depreciation and amortisation | 148 | 74 |
| EBITDA | (456) | 2,359 |
| ASX listing fees | 189 | - |
| Grant income (30 June 2021: EMDG \$100k & CashFlow Boost \$35k) | - | (135) |
| Underlying Earnings | (267) | 2,224 |

Significant changes in the state of affairs

During the financial year the company issued 50,769,231 new fully paid ordinary shares to investors under a bookbuild with an issue price of \$0.65 (65 cents) per share as part of the company's IPO on ASX, raising \$33 million before transaction costs.

The company was incorporated on 2 September 2021 to become the ultimate holding company of the Group following the corporate restructure required to facilitate the IPO ("the Restructure"). Under the Restructure, the company entered into contracts in November 2021 to acquire all of the issued shares in BirdDog Technology Australia Pty Ltd from its shareholders, as well as the shares in BirdDog Australia Pty Ltd held by other parties. As part of the Restructure, the company performed a share split of its fully paid ordinary shares (Shares) on issue resulting in 125,641,026 Shares upon completion of the IPO.

In December 2021 the company issued 28,205,128 fully paid ordinary shares to investors following conversion of convertible notes with a face value of \$13,750,000. The conversion price for the fully paid ordinary shares was \$0.4875 (48.75 cents) per share.

On 16 December 2021 the company's securities were admitted to the ASX official list and commenced trading on 20 December 2021.

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

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years other than the matter described immediately below. The Group determined to form a tax consolidated group for Australian income tax purposes, effective 1 July 2022, with the Company the 'head' of the tax consolidated group.

Likely developments and expected results of operations

With the foundations of the team now established around the globe, the Group is well-structured and poised for growth, with the directors expecting to report positive results for operations for the year ended 30 June 2023. Information on likely developments in the operations of the Group and the expected results of operations have not been detailed in this report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation

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

Risk Statement

The Group is committed to the effective management of risk to reduce uncertainty in its commercial activities and business outcomes and to protect and enhance shareholder value. There are various risks that could have a material impact on the achievement of the Group's strategic objectives and future prospects.

Key risks and mitigation activities associated with the Group's objectives are set out below:

Manufacturing and supply chain risk

The Group relies on three key manufacturers to supply and manufacture key components of its products and is exposed to supply shortages, long order lead times and price increases. In addition, several of its existing suppliers are based in China with the result that the Group's products are currently ineligible for US-GSA accreditation, with additional tariffs applying to some of the Group's portfolio of products in its key market, the USA. The Group has taken active steps to manage these risks by exploring the re-location of some of its manufacturing and assembly elements to other countries, adopting a very specific focussed discipline on managing its supplier relationships and procurement activities and increasing its inventory holdings of key products and product components, with inventory on hand having increased by 67% during the year.

OEM model risk

The Group's business model is predominantly an original equipment manufacturer (**OEM**) model, which means that some of its products are designed to be embedded in, and used as components of, products manufactured by other parties. The Group's growth prospects and financial performance is therefore reliant on the demand for each OEM's products and the demand for the Group's products within those OEM products. The Group's focus is on ensuring that both its products and product development are market leading and innovative to ensure that they remain relevant and highly sought after by its OEM partners and the broader market.

Distribution network risk

The vast majority of the Group's sales are sold through its distribution network, with a number of formal distribution agreements in place across the regions in which it operates. These agreements include minimum purchase requirements and can, where deemed necessary, be terminated on relatively short notice. It remains important that the Group maintains good working relationships with its key distribution partners in order to enhance its growth prospects and financial performance. The Group's focus on developing highly innovative and sought after products and investment in client service capability with a view to supporting distributors and providing after sale service are mitigating factors which assist the Group in managing this risk. Further, the regular review of its distribution partners and the adjustment of coverage across regional and vertical markets is another mitigating factor that assists the Group in managing the distribution network risk.

Key personnel risk

The Group is reliant on its key management and technical personnel and the Group's future prospects are dependent on retaining and attracting suitably qualified personnel. The Group manages these risks by ensuring it adopts remuneration practices, incentive schemes and employment policies which promote staff retention and recruitment. The Group's employment agreements also allow it to limit the ability of key personnel to join competitors or compete directly with the Group.

Intellectual property risk

The Group has developed a range of proprietary items of Intellectual Property (**IP**) that are regarded as novel and inventive comprising know how, hardware (cameras, converters and audio visual products), software, copyright and trademarks. The value of the Group's products is dependent on its ability to protect this IP. The Group manages this risk by ensuring that its dealings with employees, contractors and third parties are governed by legal agreements which support the Group's ownership and control over its IP and the disclosure of sensitive information belonging to the Group. The Group also employs data security and protection technology to protect its electronically stored information and source code algorithm software.

NewTek licence risk

The Group licences NDI® protocol from NewTek Inc, a business based in the United States. The continuity of this licence is essential to many aspects of the technology in the Group's product line and any adverse events occurring in connection with this licence could have a material adverse effect on the Group and its future prospects. The Group has managed this risk during the financial year by renegotiating the term, extended from three to five years, along with commercial aspects of the license.

Infringement of third party IP risk

If a third party accuses the Group of infringing its IP rights, at the Group's election it may incur significant costs in defending such action, including the diversion of management and technical personnel's time. In addition, if injunctive or other equitable relief is exercised by the claimant, this could hinder the Group's research and development activities. The Group manages these risks by actively reviewing the products of its competitors and assessing the likelihood of success against the consequences of defending its IP rights.

Foreign exchange risk

Revenue and expenditure in overseas jurisdictions are subject to the risk of fluctuations in foreign exchange markets. Many of the Group's customers, distributors, suppliers - and a substantial, albeit minority of its employees - are located outside Australia and so the Group regularly trades in foreign currencies. Accordingly, payments will be made in those countries' currencies and may exceed the budgeted expenditure if there are adverse fluctuations against the Australian dollar. The vast majority of the Group's revenue receipts and a significant proportion of its payments to suppliers, contractors and employees are made in US dollars, with the effect that the foreign exchange risk relevant to these transactions is substantially reduced. The Group holds the majority of its cash, including short-term term deposits, in US dollars and has no plans to hedge its current holdings or payments.

General economic conditions risks

The general economic climate may affect the performance of the Group. These factors include the general level of international and domestic economic activity, inflation and interest rates. These factors are beyond the control of the Group and their impact cannot be predicted.

COVID-19 risk

The COVID-19 pandemic had an impact on the Group's operations and financial performance and may continue to have an effect, adverse or otherwise, on the Group's business, operations and financial performance.

Information on directors

Name: Mr John Dixon
Title: Non-executive Chairman (appointed 6 September 2021)
Experience and expertise: John has more than 35 years' experience as a CEO, executive and Non-executive Director in large public and private companies predominantly within the logistics, engineering and services sectors. John's previous experience includes Executive Director/COO at Linfox, Executive Director/COO at Skilled Engineering, Managing Director at Westgate Logistics, Managing Director at Silk Logistics Group, and Executive Director at Patrick Corporation.

John is currently a non-executive director of Australian Super, Frontier Advisors and Australian Industry Group. John is a graduate of the Australian Institute of Company Directors and the Australian Institute of Superannuation Trustees. For many years, John actively supported the charity Young Endeavour Youth Scheme and was formerly a member of the scheme's advisory board.

John has been appointed as an independent Director and the Board considers that John is free from any relationship that could materially interfere with the independent exercise of his judgement.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Member of the Audit & Risk Committee and Remuneration & Nomination Committee.
Interests in shares: 265,811 Fully paid ordinary shares
Interests in options: 100,000 unlisted options, vest on 16 December 2022 and are exercisable at \$0.65 on or before 16 December 2026
100,000 unlisted options, vest on 16 December 2023 and are exercisable at \$0.7475 on or before 16 December 2026
100,000 unlisted options, vest on 16 December 2024 and are exercisable at \$0.845 on or before 16 December 2026
Interests in rights: Nil

| | |
|--------------------------------------|---|
| Name: | Mr Dan Miall |
| Title: | Managing Director and Chief Executive Officer (appointed 2 September 2021) |
| Experience and expertise: | <p>Dan has 20+ years in broadcast television production and global vendor management roles. Dan successfully completed VCE at Forest Hill Secondary College in 1995 and subsequently completed a series of globally recognised technical certifications within his fields of expertise (broadcast and AV) including: the Avid ELITE ACSR in 1999 and Cisco's CCNA course in 2005, whilst also graduating from the ANZ Business Growth Program delivered by global growth expert Dr Jana Matthews for the Australian Centre for Business Growth at the University of South Australia.</p> <p>Whilst working in London for 4 years for a NASDAQ-listed global business, Avid Technology, Dan held the Pre-sales Management role for EMEA (Europe, Middle East & Africa), with responsibility for budgeting, outcomes, performance, and revenue recognition compliance. Dan's last task in 2010 as the National Professional Product Sales Manager for a large Australian business was to single-handedly project manage and deliver all equipment and services for Oprah Winfrey's December 2010 Australian tour, that included all video networking and IT requirements for 200+ crew.</p> <p>Over more than two years from 2016, Dan designed and ultimately brought to market the world's 1st hardware based NDI® Encoder, a category defining product globally.</p> <p>Dan currently serves as Managing Director and Chief Executive Officer and Chief Technology Officer for the Group, with a focus on delivering complex video solutions for the broadcast and AV markets through the deployment of cutting-edge technology solutions: hardware (cameras & converters) and software.</p> |
| Other current directorships: | None |
| Former directorships (last 3 years): | None |
| Special responsibilities: | None |
| Interests in shares: | 44,697,564 Fully paid ordinary shares |
| Interests in options: | Nil |
| Interests in rights: | 395,769 Share rights subject to certain vesting conditions and expiring 16 December 2024 |

Name: Mr Andrew Baxter
Title: Non-executive Director (appointed 3 September 2021)
Experience and expertise: Andrew has 25+ years in the Marketing and Communications industry, previously serving as Executive Chairman of Publicis Communications.

Andrew is the Independent Chair of Australian Pork, and a Non-Executive Director at Foresters Financial and GrowthOps. Andrew currently serves as a Senior Advisor at BGH Capital, the Adjunct Professor of Marketing at the University of Sydney, and previously has been the Senior Advisor to KPMG's Customer, Brand and Marketing Advisory business. Andrew was previously the CEO of two of the country's largest communications agencies, Publicis, and Ogilvy.

Andrew has also held several significant Board and Chair roles, including at Deakin Business School, Lord Mayor's Charitable Foundation, Catch Group, NBL, Sydney Symphony Orchestra and OzHarvest.

Andrew is a Fellow of the Australian Marketing Institute, a Fellow of the Australian Institute of Company Directors, and holds a Bachelor of Business (Marketing) from Monash University.

Andrew has been appointed as an independent Director and the Board considers that Andrew is free from any relationship that could materially interfere with the independent exercise of his judgement.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Member of the Audit & Risk Committee and Chair of Remuneration & Nomination Committee.
Interests in shares: 315,385 Fully paid ordinary shares
Interests in options: 65,000 unlisted options, vest on 16 December 2022 and are exercisable at \$0.65 on or before 16 December 2026
65,000 unlisted options, vest on 16 December 2023 and are exercisable at \$0.7475 on or before 16 December 2026
70,000 unlisted options, vest on 16 December 2024 and are exercisable at \$0.845 on or before 16 December 2026
Interests in rights: Nil

Name: Ms Joanne Moss
 Title: Non-executive Director (appointed 6 September 2021)
 Experience and expertise: Joanne has current relevant experience as an independent non-executive director and committee chair in technologically disruptive companies.

She is currently the Independent, Non-Executive Chair of LBT Innovations Ltd (LBT:ASX) and a Non-Executive Director for Ellume Limited.

Joanne was previously Chief Legal and Corporate Affairs Officer within Pizza Hut Australia. Prior to that, Joanne was a corporate adviser and dispute resolution lawyer within the law firm, Norton Rose Fulbright Australia.

Joanne holds an LLB (1st Class Honours), LLM (Distinction) and Cert Chinese Laws & Legal Systems. She has undertaken U.S. directorship training through the NACD. She was formerly a member of Global Leaders in Law and the ACC GC 100.

Joanne has been appointed as an independent Director and the Board considers that Joanne is free from any relationship that could materially interfere with the independent exercise of her judgement.

Other current directorships: LBT Innovations Limited (ASX: LBT)
 Former directorships (last 3 years): None
 Special responsibilities: Chair of the Audit & Risk Committee and Member of Remuneration & Nomination Committee.

Interests in shares: 115,385 Fully paid ordinary shares
 Interests in options: 65,000 unlisted options, vest on 16 December 2022 and are exercisable at \$0.65 on or before 16 December 2026
 65,000 unlisted options, vest on 16 December 2023 and are exercisable at \$0.7475 on or before 16 December 2026
 70,000 unlisted options, vest on 16 December 2024 and are exercisable at \$0.845 on or before 16 December 2026

Interests in rights: Nil

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

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Mr Justin Mouchacca was appointed company secretary on 25 October 2021.

Mr Mouchacca is a Chartered Accountant and Fellow of the Governance Institute of Australia with over 15 years' experience in public company responsibilities including statutory, corporate governance and financial reporting requirements. Since July 2019, Mr Mouchacca has been principal of JM Corporate Services and has been appointed Company Secretary and Financial Officer for a number of entities listed on the ASX and unlisted public companies.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2022, and the number of meetings attended by each director were:

| | Full Board | | Nomination and Remuneration Committee | | Audit and Risk Committee | |
|----------------------|------------|------|---------------------------------------|------|--------------------------|------|
| | Attended | Held | Attended | Held | Attended | Held |
| Mr John Dixon* | 7 | 7 | 1 | 1 | 2 | 2 |
| Mr Dan Miall** | 7 | 7 | - | - | - | - |
| Ms Joanna Moss*** | 7 | 7 | 1 | 1 | 2 | 2 |
| Mr Andrew Baxter**** | 7 | 7 | 1 | 1 | 2 | 2 |

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

* appointed 6 September 2021

** appointed 2 September 2021

*** appointed 6 September 2021

**** appointed 3 September 2021

Share options granted to directors and officers

Options over unissued ordinary shares granted by Company during or since the financial year end, including options granted to directors and KMP of the Group (other than the directors), were as follows:

Total options granted 700,000

Directors

| | |
|------------------|---------|
| Mr John Dixon | 300,000 |
| Mr Andrew Baxter | 200,000 |
| Ms Joanne Moss | 200,000 |

Total share rights granted 1,706,538

KMP

| | |
|------------------|---------|
| Mr Dan Miall | 395,769 |
| Mr Eamon Drew | 395,769 |
| Mr Barry Calnon | 395,769 |
| Mr Jamie Ambrose | 519,231 |

Performance rights granted 729,167

KMP

| | |
|------------------|---------|
| Mr Jamie Ambrose | 729,167 |
|------------------|---------|

Further details regarding options granted as remuneration to key management personnel are provided in the Remuneration Report below.

Shares under option

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

| Grant date | Vesting date | Expiry date | Exercise price | Number under option |
|------------|--------------|-------------|----------------|---------------------|
| 09/06/2021 | 16/12/2024 | 16/12/2024 | \$0.975 | 5,366,695 |
| 30/09/2021 | 16/12/2021 | 16/12/2026 | \$0.65 | 1,000,000 |
| 16/12/2021 | 16/12/2022 | 16/12/2026 | \$0.65 | 230,000 |
| 16/12/2021 | 16/12/2023 | 16/12/2026 | \$0.7475 | 230,000 |
| 16/12/2021 | 16/12/2024 | 16/12/2026 | \$0.845 | 240,000 |
| 16/12/2021 | 16/12/2026 | 16/12/2026 | \$0.65 | 550,000 |
| | | | | <u>7,616,695</u> |

Share Rights

Unissued ordinary shares of BirdDog Technology Limited under share rights at the date of this report are as follows:

| Grant date | Expiry date | Exercise price | Number under option |
|------------|-------------|----------------|---------------------|
| 24/09/2021 | 16/12/2024 | \$0.78 | 568,846 |
| 24/09/2021 | 16/12/2024 | \$0.936 | 568,846 |
| 24/09/2021 | 16/12/2024 | \$1.1232 | 568,846 |

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

Performance rights

On 15 November 2021, 729,167 performance rights were granted. The performance rights were subject to performance criteria being certain net profit before tax margins and actual revenue as a factor of forecast revenue for the financial year ended 30 June 2022 as outlined in the company's prospectus. The performance hurdle was not met during the current financial year, and as such the rights expired.

Shares issued on the exercise of options

There were no ordinary shares of the company issued on the exercise of options during the year ended 30 June 2022 and up to the date of this report.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

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

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

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for the Group's directors and executives. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Nomination and Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group.

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

- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of growth in share price and dividends when appropriate, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework seeks to enhance executives' interests by:

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

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

Non-executive directors remuneration

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

The company's Prospectus dated 18 November 2021 nominated the maximum annual aggregate non-executive directors' remuneration for the purposes of the company's Constitution and ASX Listing Rules as \$800,000. Pursuant to ASX Listing Rules the aggregate non-executive directors' remuneration is to be determined at the first general meeting of the company after listing and periodically thereafter by general meeting.

Executive remuneration

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

The executive remuneration and reward framework has four components:

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

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

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

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

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, business growth, customer satisfaction, leadership contribution and product management.

The long-term incentives ('LTI') include long service leave and share-based payments are awarded to key executives over a period of three years based on growth in the company's share price.

Voting and comments made at the Group's 2022 Annual General Meeting (AGM)

Following listing on the ASX in December 2021, BirdDog Technology Limited will put its remuneration report to the Group's AGM in November 2022.

Details of remuneration

Amounts of remuneration

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

The key management personnel of the company consisted of the following, including directors of the company:

- Mr John Dixon - Non-executive Chairman (appointed 6 September 2021)
- Mr Dan Miall - Managing Director and Chief Executive Officer (appointed 2 September 2021) *
- Mr Andrew Baxter - Non-executive Director (appointed 3 September 2021)
- Ms Joanne Moss - Non-executive Director (appointed 6 September 2021)
- Mr Barry Calnon - Chief Financial Officer (director appointed 2 September 2021; resigned 8 November 2021) **
- Mr Eamon Drew - Chief Marketing Officer (director appointed 2 September 2021; resigned 8 November 2021) ***
- Mr Jamie Ambrose - Chief Revenue and Operations Officer (appointed 16 November 2021)

* Director of BirdDog Australia Pty Ltd which became a wholly owned subsidiary of BirdDog Technology Limited in November 2021 (appointed 2 September 2021)

** Chief Financial Officer and Finance Director of BirdDog Australia Pty Ltd which became a wholly owned subsidiary of BirdDog Technology Limited in November 2021 (appointed 2 September 2021; resigned: 8 November 2021)

*** Director of BirdDog Australia Pty Ltd which became a wholly owned subsidiary of BirdDog Technology Limited in November 2021 (appointed 2 September 2021; resigned: 8 November 2021)

| 2022 | Short-term benefits | | Post-employment benefits | Long-term benefits | Share-based payments | Total |
|--|----------------------------|------------------|--------------------------|---------------------------|----------------------|------------------|
| | Cash salary and fees \$ | Cash bonus \$ | Super-annuation \$ | Long service leave* \$ | Equity-settled \$ | |
| <i>Non-Executive Directors:</i> | | | | | | |
| Mr John Dixon | 87,083 | - | 8,708 | - | 13,705 | 109,496 |
| Mr Andrew Baxter | 45,000 | - | 4,500 | - | 9,136 | 58,636 |
| Ms Joanne Moss | 50,000 | - | 5,000 | - | 9,136 | 64,136 |
| <i>Executive Directors:</i> | | | | | | |
| Mr Dan Miall | 237,500 | - | 23,750 | 15,440 | 55,976 | 332,666 |
| <i>Other Key Management Personnel:</i> | | | | | | |
| Mr Barry Calnon | 212,500 | - | 21,250 | 9,826 | 55,976 | 299,552 |
| Mr Eamon Drew | 212,500 | - | 21,250 | 10,344 | 55,976 | 300,070 |
| Mr Jamie Ambrose | 219,231 | - | 21,923 | 306 | 73,437 | 314,897 |
| | <u>1,063,814</u> | <u>-</u> | <u>106,381</u> | <u>35,916</u> | <u>273,342</u> | <u>1,479,453</u> |

* Long service leave amounts represent the expense for the financial year.

** Non-executive Directors are not eligible for annual leave and long service leave entitlements.

| 2021 | Short-term benefits | | Post-employment benefits | Long-term benefits | Share-based payments | Total |
|--|----------------------------|------------------|--------------------------|---------------------------|----------------------|------------------|
| | Cash salary and fees \$ | Cash bonus \$ | Super-annuation \$ | Long service leave* \$ | Equity-settled \$ | |
| <i>Non-Executive Directors:</i> | | | | | | |
| Mr John Dixon | - | - | - | - | - | - |
| Mr Andrew Baxter | - | - | - | - | - | - |
| Ms Joanne Moss | - | - | - | - | - | - |
| <i>Executive Directors:</i> | | | | | | |
| Mr Dan Miall | 179,939 | 359,849 | 16,586 | 8,305 | - | 564,679 |
| <i>Other Key Management Personnel:</i> | | | | | | |
| Mr Barry Calnon | 179,939 | 141,787 | 16,586 | 578 | - | 338,890 |
| Mr Eamon Drew | 179,939 | 359,849 | 16,586 | 8,305 | - | 564,679 |
| Mr Jamie Ambrose | - | - | - | - | - | - |
| | <u>539,817</u> | <u>861,485</u> | <u>49,758</u> | <u>17,188</u> | <u>-</u> | <u>1,468,248</u> |

* Long service leave amounts represent the expense for the financial year.

** Non-executive Directors are not eligible for annual leave and long service leave entitlements.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

| Name | Fixed remuneration | | At risk - Short term | | At risk - Long term | |
|--|--------------------|------|----------------------|------|---------------------|------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| <i>Non-Executive Directors:</i> | | | | | | |
| Mr John Dixon | 87% | - | - | - | 13% | - |
| Mr Andrew Baxter | 84% | - | - | - | 16% | - |
| Ms Joanne Moss | 86% | - | - | - | 14% | - |
| <i>Executive Directors:</i> | | | | | | |
| Mr Dan Miall | 83% | 100% | - | - | 17% | - |
| <i>Other Key Management Personnel:</i> | | | | | | |
| Mr Barry Calnon | 81% | 100% | - | - | 19% | - |
| Mr Eamon Drew | 81% | 100% | - | - | 19% | - |
| Mr Jamie Ambrose | 77% | - | - | - | 23% | - |

Group performance

| | 2022 \$'000 | 2021 \$'000 |
|----------------------------------|----------------|---------------------------------------|
| Revenue from contracts customers | 38,243 | 38,216 |
| Net profit/(loss) after tax | (2,039) | 1,354 |
| Basic earnings per share | (1.21) | 1.12 |
| Dividends paid to shareholders | - | - |
| Share price at year-end | \$0.14 | \$0.65 |
| | | On ASX admission at 16 Dec 2021 |

As the Group was admitted to the ASX on 16 December 2021, earlier comparatives are not considered appropriate as incentive payments were not provided to KMP in relation to Group performance as part of their remuneration. Accordingly, comparative information has only been included for the year ended 30 June 2021.

Service agreements

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

Name: Mr Dan Miall
Title: Managing Director and Chief Executive Officer
Agreement commenced: 15 November 2021
(Previously employed by BirdDog Australia Pty Ltd which became a wholly owned subsidiary of BirdDog Technology Limited in November 2021)
Term of agreement: No fixed term, reviewed annually
Details: The principal terms of his employment agreement are as follows:

Dan is entitled to receive an:

- Annual base salary of \$245,000 plus a \$50,000 Director Fee (exclusive of superannuation); and
- Long Term Incentive (LTI) award in the form of 395,769 Share Rights subject to the achievement of conversion hurdles which are aligned to the company's share price growth on a rolling basis, measured annually.

Dan's employment agreement includes:

- Provisions protecting the Group's confidential information and intellectual property; and
- A non-competition undertaking pursuant to which Dan agrees that he will not, during the term of his engagement and for a period of 12 months thereafter, compete with the Group's business.

Dan may terminate the agreement by giving the Group 6 months' written notice. The Group may terminate the agreement:

- By giving 6 months' written notice to Dan or, by making payment in lieu of the whole (or part of the) notice period; or
- If there are grounds for summary dismissal (such as serious misconduct or fraud), without notice.

Name: Mr Barry Calnon
Title: Chief Financial Officer
Agreement commenced: 16 November 2021
(Previously employed by BirdDog Australia Pty Ltd which became a wholly owned subsidiary of BirdDog Technology Limited in November 2021)
Term of agreement: No fixed term, reviewed annually
Details: The principal terms of his employment agreement are as follows:

Barry is entitled to receive an:

- Annual base salary of \$245,000 (exclusive of superannuation); and
- LTI award in the form of 395,769 Share Rights subject to the achievement of conversion hurdles which are aligned to the company's share price growth on a rolling basis, measured annually.

Barry's employment agreement includes:

- Provisions protecting the Group's confidential information and intellectual property; and
- A non-competition undertaking pursuant to which Barry agrees that he will not, during the term of his engagement and for a period of 12 months thereafter, compete with the Group's business.

Barry may terminate the agreement by giving the Group 6 months' written notice. The Group may terminate the agreement:

- By giving 6 months' written notice to Barry or, by making payment in lieu of the whole (or part of the) notice period; or
- If there are grounds for summary dismissal (such as serious misconduct or fraud), without notice.

Name: Mr Eamon Drew
Title: Chief Marketing Officer
Agreement commenced: 16 November 2021
(Previously employed by BirdDog Australia Pty Ltd which became a wholly owned subsidiary of BirdDog Technology Limited in November 2021)
Term of agreement: No fixed term, reviewed annually
Details: The principal terms of his employment agreement are as follows:

Eamon is entitled to receive an:

- Annual base salary of \$245,000 (exclusive of superannuation); and
- LTI award in the form of 395,769 Share Rights subject to the achievement of conversion hurdles which are aligned to the company's share price growth on a rolling basis, measured annually.

Eamon's employment agreement includes:

- Provisions protecting the Group's confidential information and intellectual property; and
- A non-competition undertaking pursuant to which Eamon agrees that he will not, during the term of his engagement and for a period of 12 months thereafter, compete with the Group's business.

Eamon may terminate the agreement by giving the Group 6 months' written notice. The Group may terminate the agreement:

- By giving 6 months' written notice to Eamon or, by making payment in lieu of the whole (or part of the) notice period; or
- If there are grounds for summary dismissal (such as serious misconduct or fraud), without notice.

Name: Richard (Jamie) Ambrose
Title: Chief Revenue and Operations Officer
Agreement commenced: 16 November 2021
Term of agreement: No fixed term, reviewed annually
Details: The principal terms of his employment agreement are as follows:

Jamie is entitled to receive an:

- Annual base salary of \$225,000 (exclusive of superannuation);
- STI award in the form of additional salary available in cash based in a linear relationship to the growth of the Group's actual revenue from the year ended 30 June 2022 compared to the revenue which will be achieved by the Group for the year ended 30 June 2023; and
- LTI award in the form of 519,231 Share Rights subject to the achievement of conversion hurdles which are aligned to the company's share price growth on a rolling basis, measured annually.
- LTI award in the form of 729,167 Performance Rights subject to the company achieving set net profit before tax margins and revenue targets as a multiple of forecast revenue.

Jamie's employment agreement includes:

- Provisions protecting the Group's confidential information and intellectual property;
- A non-competition undertaking pursuant to which Jamie agrees that he will not, during the term of his engagement and for a period of 12 months thereafter, compete with the Group's business.

Jamie may terminate the agreement by giving the Group 3 months' written notice. The Group may terminate the agreement:

- By giving 3 months' written notice to Jamie or, by making payment in lieu of the whole (or part of the) notice period; or
- If there are grounds for summary dismissal (such as serious misconduct or fraud), without notice.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2022.

Options

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

| Name | Number of options granted | Grant date | Vesting date and exercisable date | Expiry date | Exercise price | Fair value per option at grant date |
|------------------|----------------------------------|-------------------|--|--------------------|-----------------------|--|
| Mr John Dixon | 100,000 | 16/12/2021 | 16/12/2022 | 16/12/2026 | \$0.65 | \$0.130 |
| Mr John Dixon | 100,000 | 16/12/2021 | 16/12/2023 | 16/12/2026 | \$0.7475 | \$0.151 |
| Mr John Dixon | 100,000 | 16/12/2021 | 16/12/2024 | 16/12/2026 | \$0.845 | \$0.168 |
| Ms Joanne Moss | 65,000 | 16/12/2021 | 16/12/2022 | 16/12/2026 | \$0.65 | \$0.130 |
| Ms Joanne Moss | 65,000 | 16/12/2021 | 16/12/2023 | 16/12/2026 | \$0.7475 | \$0.151 |
| Ms Joanne Moss | 70,000 | 16/12/2021 | 16/12/2024 | 16/12/2026 | \$0.845 | \$0.168 |
| Mr Andrew Baxter | 65,000 | 16/12/2021 | 16/12/2022 | 16/12/2026 | \$0.65 | \$0.130 |
| Mr Andrew Baxter | 65,000 | 16/12/2021 | 16/12/2023 | 16/12/2026 | \$0.7475 | \$0.151 |
| Mr Andrew Baxter | 70,000 | 16/12/2021 | 16/12/2024 | 16/12/2026 | \$0.845 | \$0.168 |

Options granted carry no dividend or voting rights.

Share rights

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

| Grant date | Vesting date and exercisable date | Expiry date | Share price hurdle for vesting | Fair value per right at grant date |
|-------------------|--|--------------------|---------------------------------------|---|
| 24/09/2021 * | 16/12/2022 | 17/12/2024 | \$0.78 | \$0.321 |
| 24/09/2021 ** | 16/12/2023 | 17/12/2024 | \$0.936 | \$0.361 |
| 24/09/2021 *** | 16/12/2024 | 17/12/2024 | \$1.1232 | \$0.371 |

* The Tranche 1 Share Rights vest upon the 20 day volume weighted average price of BirdDog's shares (VWAP) (measured over the VWAP Period) exceeding the initial issue price under its initial public offering by 20%.

** The Tranche 2 Share Rights vest upon the 20 day VWAP (measured over the VWAP Period) exceeding the 20 day VWAP during the VWAP Period for the preceding year by 20%.

*** The Tranche 3 Share Rights vest upon the 20 day VWAP (measured over the VWAP Period) exceeding the 20 day VWAP during the VWAP Period for the preceding year by 20%.

| Name | Number of share rights granted | Grant date | Vesting date and exercisable date | Expiry date | Share price hurdle for vesting | Fair value per share right at grant date |
|------------------|--------------------------------|------------|-----------------------------------|-------------|--------------------------------|--|
| Mr Dan Miall | 131,923 | 24/09/2021 | 16/12/2022 | 17/12/2024 | \$0.78 | \$0.321 |
| Mr Dan Miall | 131,923 | 24/09/2021 | 16/12/2023 | 17/12/2024 | \$0.936 | \$0.361 |
| Mr Dan Miall | 131,923 | 24/09/2021 | 16/12/2024 | 17/12/2024 | \$1.1232 | \$0.371 |
| Mr Barry Calnon | 131,923 | 24/09/2021 | 16/12/2022 | 17/12/2024 | \$0.78 | \$0.321 |
| Mr Barry Calnon | 131,923 | 24/09/2021 | 16/12/2023 | 17/12/2024 | \$0.936 | \$0.361 |
| Mr Barry Calnon | 131,923 | 24/09/2021 | 16/12/2024 | 17/12/2024 | \$1.1232 | \$0.371 |
| Mr Eamon Drew | 131,923 | 24/09/2021 | 16/12/2022 | 17/12/2024 | \$0.78 | \$0.321 |
| Mr Eamon Drew | 131,923 | 24/09/2021 | 16/12/2023 | 17/12/2024 | \$0.936 | \$0.361 |
| Mr Eamon Drew | 131,923 | 24/09/2021 | 16/12/2024 | 17/12/2024 | \$1.1232 | \$0.371 |
| Mr Jamie Ambrose | 173,077 | 24/09/2021 | 16/12/2022 | 17/12/2024 | \$0.78 | \$0.321 |
| Mr Jamie Ambrose | 173,077 | 24/09/2021 | 16/12/2023 | 17/12/2024 | \$0.936 | \$0.361 |
| Mr Jamie Ambrose | 173,077 | 24/09/2021 | 16/12/2024 | 12/12/2024 | \$1.1232 | \$0.371 |

Share rights granted carry no dividend or voting rights.

Retention rights

There were no retention rights over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2022.

There were no retention rights over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2022.

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

| | Balance at the start of the year | Received as part of remuneration | Issuance on listing | Additions | Balance at the end of the year |
|------------------------|----------------------------------|----------------------------------|---------------------|------------------|--------------------------------|
| <i>Ordinary shares</i> | | | | | |
| Mr John Dixon | - | - | - | 265,811 | 265,811 |
| Mr Dan Miall | - | - | 44,602,564 | 95,000 | 44,697,564 |
| Mr Andrew Baxter | - | - | - | 315,385 | 315,385 |
| Ms Joanne Moss | - | - | - | 115,385 | 115,385 |
| Mr Barry Calnon | - | - | 18,846,153 | 153,000 | 18,999,153 |
| Mr Eamon Drew | - | - | 44,602,564 | 145,000 | 44,747,564 |
| Mr Jamie Ambrose | - | - | - | 22,945 | 22,945 |
| | - | - | 108,051,281 | 1,112,526 | 109,163,807 |

Shares issued on listing

Ordinary shares were issued to the above KMP as part of the Restructure, whereby shares previously held in BirdDog Australia Pty Ltd were converted into shares of BirdDog Technology Limited and disclosed in the table above as 'Issuance on listing'.

Share Rights

The number of share rights in the company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

| | Balance at the start of the year | Received as part of remuneration | Additions | Disposals/ other | Balance at the end of the year |
|---------------------|--|--|-----------|---------------------|--------------------------------------|
| <i>Share Rights</i> | | | | | |
| Mr Dan Miall | - | 395,769 | - | - | 395,769 |
| Mr Barry Calnon | - | 395,769 | - | - | 395,769 |
| Mr Eamon Drew | - | 395,769 | - | - | 395,769 |
| Mr Jamie Ambrose | - | 519,231 | - | - | 519,231 |
| | - | 1,706,538 | - | - | 1,706,538 |

Option holding

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the company, including their personally related parties, is set out below:

| | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|-------------------------------------|--|----------------|-----------|---------------------------------|--------------------------------------|
| <i>Options over ordinary shares</i> | | | | | |
| Mr John Dixon | - | 300,000 | - | - | 300,000 |
| Mr Andrew Baxter | - | 200,000 | - | - | 200,000 |
| Ms Joanne Moss | - | 200,000 | - | - | 200,000 |
| | - | 700,000 | - | - | 700,000 |

Performance rights holding

The number of performance rights over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

| | Balance at the start of the year | Granted | Vested | Expired/ forfeited/ other | Balance at the end of the year |
|--|--|----------------|--------|---------------------------------|--------------------------------------|
| <i>Performance rights over ordinary shares</i> | | | | | |
| Mr Jamie Ambrose | - | 729,167 | - | (729,167) | - |
| | - | 729,167 | - | (729,167) | - |

The performance rights were subject to performance criteria being certain net profit before tax margins and actual revenue as a factor of forecast revenue for the financial year ended 30 June 2022 as outlined in the Company's prospectus. The performance criteria were not met and as such the performance rights expired.

Other transactions with key management personnel and their related parties

Other than outlined above, there were no other transactions with the Group's key management personnel during the financial year.

This concludes the remuneration report, which has been audited.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

The Group has also agreed to maintain in favour of each officer a directors' and officers' policy of insurance for the period that they are officers and for seven years after they cease to act as officers.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the company

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

Non-audit services

During the financial year, Pitcher Partners (the Group's auditor) provided services in addition to the audit of the financial statements (non-audit services). Non-audit services are reviewed by the Audit and Risk Committee and approval is provided in writing to the board of directors.

In accordance with the written advice of the Audit and Risk Committee, the board of directors is satisfied that the provision of non-audit services by Pitcher Partners (or by another person or firm on the auditor's behalf) during the financial year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The board of directors is satisfied that the provision of those non-audit services by Pitcher Partners (or by another person or firm on the auditor's behalf) during the financial year did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Committee to confirm that they do not impact the impartiality and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

Details of the amounts paid or payable to the entity's auditor for non-audit services provided during the financial year are set out below.

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* accompanies this report.

Pitcher Partners and its related practices receive or are due to receive the following amounts for the provision of non-audit services to the Group in respect of the financial year ended 30 June 2022:

| | Consolidated | |
|-------------------|---------------------|---------------|
| | 2022 | 2021 |
| | \$ | \$ |
| General advisory | 65,962 | - |
| Taxation services | 138,010 | 72,381 |
| | 203,972 | 72,381 |

True and fair view - non IFRS measures

Throughout this report, the Group has included certain non-IFRS financial information, including EBITDA and Underlying Earnings. The Group believes that these non-IFRS measures provide useful information to recipients for measuring the underlying operating performance of the Group's business. Non-IFRS measures have not been subject to audit, or review. The Non-IFRS measures used in this report are as follows:

- EBITDA – Earnings before interest, tax, depreciation and amortisation
- Underlying Earnings – Earnings before interest, tax, depreciation and amortisation, government grant income and non-recurring transaction costs associated with the Group's IPO

Officers of the company who are former partners of Pitcher Partners

There are no officers of the company who are former partners of Pitcher Partners.

Rounding of amounts

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

Auditor's independence declaration

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

Auditor

Pitcher Partners continues in office in accordance with section 327 of the *Corporations Act 2001*.

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

On behalf of the directors

A handwritten signature in black ink, appearing to be "John Dixon", written over a horizontal line.

Mr John Dixon
Non-executive Chairman

31 August 2022

For personal

BIRDDOG TECHNOLOGY LIMITED AND CONTROLLED ENTITIES
ABN: 18 653 360 448

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF BIRDDOG TECHNOLOGY LIMITED

In relation to the independent audit for the year ended 30 June 2022, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) No contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

This declaration is in respect of BirdDog Technology Limited and the entities it controlled during the year.



T LAPHORNE
Partner



PITCHER PARTNERS
Melbourne

Date: 31 August 2022

For personal use only

BirdDog Technology Limited and controlled entities
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2022



| | Note | Consolidated 2022 \$'000 | 2021 \$'000 |
|---|------|--------------------------------|-----------------|
| Revenue from contracts and customers | 6 | 38,243 | 38,216 |
| Other revenue and other income | 7 | 491 | 273 |
| Total revenue and other income | | <u>38,734</u> | <u>38,489</u> |
| Expenses | | | |
| Cost of sales | | (27,853) | (28,739) |
| Advertising expense | | (1,054) | (71) |
| Depreciation and amortisation expense | 8 | (148) | (74) |
| Employee benefits expense | 8 | (4,809) | (3,295) |
| Finance costs | 8 | (2,190) | (616) |
| Research and development costs | 8 | (1,212) | (991) |
| Professional fees | | (796) | (525) |
| Software licensing fees | | (1,890) | (2,063) |
| Other expenses | | (1,323) | (435) |
| Total expenses | | <u>(41,275)</u> | <u>(36,809)</u> |
| Profit/(loss) before income tax (expense)/benefit | | (2,541) | 1,680 |
| Income tax (expense)/benefit | 9 | 502 | (326) |
| Profit/(loss) after income tax expense for the year attributable to the owners of BirdDog Technology Limited and controlled entities | 27 | (2,039) | 1,354 |
| Other comprehensive income/(loss) | | | |
| <i>Items that will not be reclassified subsequently to profit or loss</i> | | | |
| Exchange differences on translation of foreign operations | | 21 | (8) |
| Other comprehensive income/(loss) for the year, net of tax | | 21 | (8) |
| Total comprehensive income/(loss) for the year attributable to the owners of BirdDog Technology Limited and controlled entities | | <u>(2,018)</u> | <u>1,346</u> |
| Earnings/(loss) per share for profit attributable to the owners of BirdDog Technology Limited: | | Cents | Cents |
| Basic earnings/(loss) per share | 39 | (1.21) | 1.12 |
| Diluted earnings/(loss) per share | 39 | (1.21) | 1.12 |

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

BirdDog Technology Limited and controlled entities
Consolidated statement of financial position
As at 30 June 2022



| | Note | Consolidated 2022 \$'000 | 2021 \$'000 |
|--------------------------------------|------|--------------------------------|----------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 10 | 23,168 | 9,258 |
| Receivables | 11 | 3,420 | 621 |
| Inventories | 12 | 19,024 | 11,270 |
| Other assets | 13 | 326 | 187 |
| Current tax assets | 9,14 | 85 | - |
| Total current assets | | 46,023 | 21,336 |
| Non-current assets | | | |
| Lease assets | 15 | 1,762 | 122 |
| Deferred tax assets | 9 | 1,199 | 108 |
| Property, plant and equipment | 17 | 566 | 63 |
| Intangibles | 16 | 400 | - |
| Other assets | 18 | 230 | - |
| Total non-current assets | | 4,157 | 293 |
| Total assets | | 50,180 | 21,629 |
| Liabilities | | | |
| Current liabilities | | | |
| Payables | 19 | 1,794 | 1,649 |
| Lease liabilities | 15 | 180 | 54 |
| Borrowings | 20 | - | 13,964 |
| Provisions | 21 | 690 | 256 |
| Current tax liabilities | 9 | - | 302 |
| Other financial liabilities | 22 | - | 4,833 |
| Contract liabilities | 23 | 60 | 46 |
| Total current liabilities | | 2,724 | 21,104 |
| Non-current liabilities | | | |
| Lease liabilities | 15 | 1,605 | 73 |
| Provisions | 24 | 22 | 37 |
| Total non-current liabilities | | 1,627 | 110 |
| Total liabilities | | 4,351 | 21,214 |
| Net assets | | 45,829 | 415 |
| Equity | | | |
| Issued capital | 25 | 46,956 | 250 |
| Reserves | 26 | 996 | 249 |
| Accumulated losses | 27 | (2,123) | (84) |
| Total equity | | 45,829 | 415 |

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

BirdDog Technology Limited and controlled entities
Consolidated statement of changes in equity
For the year ended 30 June 2022



| Consolidated | Share capital \$'000 | Reserves \$'000 | Accumulated losses \$'000 | Total equity \$'000 |
|--|--------------------------------------|----------------------------|--|--------------------------------|
| Balance at 1 July 2020 | 250 | 18 | (1,438) | (1,170) |
| Profit after income tax expense for the year | - | - | 1,354 | 1,354 |
| Other comprehensive income for the year, net of tax | - | (8) | - | (8) |
| Total comprehensive income for the year | - | (8) | 1,354 | 1,346 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Share based payments in profit and loss | - | 99 | - | 99 |
| Share based payments capitalised on recognition of convertible notes | - | 140 | - | 140 |
| Balance at 30 June 2021 | 250 | 249 | (84) | 415 |
| Consolidated | Issued capital \$'000 | Reserves \$'000 | Retained profits \$'000 | Total equity \$'000 |
| Balance at 1 July 2021 | 250 | 249 | (84) | 415 |
| Loss after income tax benefit for the year | - | - | (2,039) | (2,039) |
| Other comprehensive income for the year, net of tax | - | 21 | - | 21 |
| Total comprehensive loss for the year | - | 21 | (2,039) | (2,018) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Contributions of equity, net of transaction costs (note 25) | 46,706 | - | - | 46,706 |
| Share-based payments (note 40) | - | 726 | - | 726 |
| Balance at 30 June 2022 | 46,956 | 996 | (2,123) | 45,829 |

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

BirdDog Technology Limited and controlled entities
Consolidated statement of cash flows
For the year ended 30 June 2022



| | Note | Consolidated | |
|--|------|----------------------|---------------------|
| | | 2022 \$'000 | 2021 \$'000 |
| Cash flows from operating activities | | | |
| Receipts from customers | | 36,073 | 38,466 |
| Payments to suppliers and employees | | (46,372) | (46,225) |
| Government grants received | | - | 377 |
| Tax payments | 9 | (417) | - |
| Finance costs | | (229) | (376) |
| Interest received | | 3 | - |
| Net cash used in operating activities | 38 | <u>(10,942)</u> | <u>(7,758)</u> |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | 17 | <u>(542)</u> | <u>(67)</u> |
| Net cash used in investing activities | | <u>(542)</u> | <u>(67)</u> |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | 25 | 33,000 | - |
| Proceeds from convertible notes | | - | 13,750 |
| Transaction costs on capital raising | | (2,120) | - |
| Transaction costs on convertible note raise | | - | (550) |
| Repayment of director related party loans | | - | (1,278) |
| Net (repayments) / proceeds from short term borrowings | | (5,321) | 4,441 |
| Principal portion of lease payments | | (91) | (69) |
| Net cash from financing activities | | <u>25,468</u> | <u>16,294</u> |
| Net increase in cash and cash equivalents | | 13,984 | 8,469 |
| Cash and cash equivalents at the beginning of the financial year | | 9,258 | 789 |
| Effects of exchange rate changes on cash and cash equivalents | | (74) | - |
| Cash and cash equivalents at the end of the financial year | 10 | <u><u>23,168</u></u> | <u><u>9,258</u></u> |

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

Note 1. General information

The financial statements cover BirdDog Technology Limited and controlled entities as a consolidated entity (the "Group") consisting of BirdDog Technology Limited and controlled entities at the end of, or during, the full year. The financial statements are presented in Australian dollars, which is BirdDog Technology Limited and controlled entities' functional and presentation currency.

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

Registered office

Level 21, 459 Collins Street
Melbourne VIC 3000

Principal place of business

Level 4, 1-9 Sackville Street
Collingwood VIC 3066

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 31 August 2022. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) New or amended Accounting Standards and Interpretations adopted

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

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

Application of new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board did not have a significant impact on the amounts recognised in the financial statements.

b) Going concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Group recorded a loss before income tax of \$2.54 million during the year ended 30 June 2022 (2021: profit before income tax \$1.68 million). At 30 June 2022 the Group has net assets of \$45.83 million (2021: \$0.42 million). At 30 June 2022 the Group has cash and cash equivalents of \$23.17 million (2021: \$9.26 million).

The Group has generated a deficiency in cash flows from operating activities of \$10.94 million. If deposits for future orders (that secure the Group's supply chain and subsequent delivery of finished goods) are excluded, the cash flows generated from operating activities is a deficiency of \$1.05 million.

The directors have concluded that the going concern basis is appropriate based on analysis of the Group's recent performance and financial forecasts for the next 12 months from the signing of the Director's report. Forecasts indicate the Group will have sufficient cash to pay its debts as and when they fall due.

c) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Note 2. Significant accounting policies (continued)

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimate, judgements and assumptions

The preparation of the financial statements 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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Comparatives

BirdDog Technology Limited became the holding company of the Group replacing BirdDog Australia Pty Ltd following a corporate restructure ("the Restructure") which was implemented in November 2021. Under the Restructure, the shareholders in BirdDog Australia Pty Ltd exchanged their shares in BirdDog Australia Pty Ltd for a proportionate number of shares in BirdDog Technology Limited. The Restructure has been accounted for as a capital re-organisation. The financial statements of the Group present a continuation of the historical financial statements of BirdDog Australia Pty Ltd and its controlled entities. Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the company as at 30 June 2022 and the results of all subsidiaries for the year then ended. BirdDog Technology Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those 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 de-consolidated from the date that control ceases.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

d) Foreign currency transactions and balances

Functional and presentation currency

The financial statements of each entity within the Group are measured using the currency of the primary economic environment in which that entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars which is the Group's functional and presentation currency.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Transactions and Balances

Transactions in foreign currencies of entities within the Group are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are restated to the spot rate at the reporting date. Except for certain foreign currency hedges, all exchange gains or losses are recognised in profit or loss for the period in which they arise. Subsidiaries that have a functional currency different from the presentation currency of the Group are translated as follows:

Note 2. Significant accounting policies (continued)

d) Foreign currency transactions and balances (continued)

- Assets and liabilities are translated at the closing rate on reporting date;
- Income and expenses are translated at actual exchange rates or average exchange rates for the period, where appropriate; and
- All resulting exchange differences are recognised in other comprehensive income.

e) Revenue from contracts with customers

The Group derives revenue predominantly from the sale of cameras, converter products and software for the broadcast and audio-visual (AV) markets globally.

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

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Software licensing fees

Revenue from software licensing fees is recognised over the period which services are provided to the customer based on the subscription term and is measured at an amount that reflects the consideration to which the Group expects to be entitled in exchange for the services.

Contract liabilities

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

f) Other revenue and other income

Interest

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

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

g) Government grants

Government grants are recognised when there is reasonable certainty that the grant will be received and all grant conditions are met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating.

Government grants include amounts received or receivable for under the Federal Government's Cash Flow Boost Scheme, which provided a temporary subsidy to eligible businesses significantly affected by coronavirus (Covid-19).

Note 2. Significant accounting policies (continued)

h) Income tax

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

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

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

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

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

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

i) Current and non-current classification

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

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

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

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

j) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of six months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 2. Significant accounting policies (continued)

k) Trade and other receivables

A receivable from a contract with a customer represents the Group's unconditional right to consideration arising from the transfer of goods or services to the customer (i.e., only the passage of time is required before payment of the consideration is due).

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Subsequent to initial recognition, receivables from contracts with customers are measured at amortised cost and are tested for impairment. Trade receivables are generally due for settlement within 30 days.

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

l) Inventories

Inventory on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Deposits on inventory represent deposits placed with suppliers under commercial agreements in place for purchase orders of inventory that have not been received prior to the end of the reporting period.

m) 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 acquisition of the items.

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

| | |
|------------------------|------------|
| Leasehold improvements | 3-10 years |
| Plant and equipment | 3-7 years |

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

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

Depreciation commences once an asset is installed and ready for use.

n) Intangible assets

Intangible assets are measured at cost on initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Internally generated intangible assets, are not capitalised and the related expenditure is reflected in profit or loss in the period it is incurred.

Separately acquired intangible assets

The Group acquired the right to Intellectual Property ("IP") created by a third party in connection with the development of the Group's products. IP rights are an indefinite useful life intangible asset, which is not amortised but is tested annually for impairment.

The Group did not have any other separately acquired intangible assets at the end of the financial year.

Note 2. Significant accounting policies (continued)

o) Leases

At the commencement date of a lease (other than leases of 12-months or less and leases of low value assets), the Group recognises a lease asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

Lease assets

Lease assets are initially recognised at cost, comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date of the lease, less any lease incentives received, any initial direct costs incurred by the group, and an estimate of costs to be incurred by the group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequent to initial recognition, lease assets are measured at cost (adjusted for any remeasurement of the associated lease liability), less accumulated depreciation and any accumulated impairment loss.

Lease assets are depreciated over the shorter of the lease term and the estimated useful life of the underlying asset, consistent with the estimated consumption of the economic benefits embodied in the underlying asset.

Lease liabilities

Lease liabilities are initially recognised at the present value of the future lease payments (i.e., the lease payments that are unpaid at the commencement date of the lease). These lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the group's incremental borrowing rate.

Subsequent to initial recognition, lease liabilities are measured at the present value of the remaining lease payments (i.e., the lease payments that are unpaid at the reporting date). Interest expense on lease liabilities is recognised in profit or loss (presented as a component of finance costs). Lease liabilities are remeasured to reflect changes to lease terms, changes to lease payments and any lease modifications not accounted for as separate leases.

Variable lease payments not included in the measurement of lease liabilities are recognised as an expense when incurred.

Leases of 12-months or less and leases of low value assets

Lease payments made in relation to leases of 12-months or less and leases of low value assets (for which a lease asset and a lease liability has not been recognised) are recognised as an expense on a straight-line basis over the lease term.

Note 2. Significant accounting policies (continued)

p) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e., trade date accounting is adopted).

Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are immediately recognised as expenses in profit or loss.

Classification of financial assets

Financial assets recognised by the Group are subsequently measured in their entirety at either amortised cost or fair value, subject to their classification and whether the Group irrevocably designates the financial asset on initial recognition at fair value through other comprehensive income (FVtOCI) in accordance with the relevant criteria in AASB 9 *Financial Instruments*.

Financial assets not irrevocably designated on initial recognition at FVtOCI are classified as subsequently measured at amortised cost, FVtOCI or fair value through profit or loss (FVtPL) on the basis of both:

- a) the Group's business model for managing the financial assets; and
- b) the contractual cash flow characteristics of the financial asset.

Consistent with both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the assets, trade and other receivables are subsequently measured at amortised cost.

Classification of financial liabilities

Financial liabilities classified as held-for-trading, contingent consideration payable by the Group for the acquisition of a business, and financial liabilities designated at FVtPL, are subsequently measured at fair value.

All other financial liabilities recognised by the Group are subsequently measured at amortised cost.

Convertible notes

Convertible notes are debt instruments that have the following features:

- The notes mandatorily converted to ordinary shares upon the Initial Public Offering ("IPO");
- The noteholders had an option to convert their notes into ordinary shares or redeem their notes at face value on maturity.

The convertible notes contain an embedded derivative, which has been separated from the host debt contract, and measured separately. The fair value of the embedded derivative is measured at the date the Group entered into the debt instrument and is measured at fair value through profit or loss. The host debt contract is then measured based on the difference between the face value of the convertible notes and the embedded derivative.

The host debt contract is measured at amortised cost net of transaction costs, which is amortised under the effective interest rate method. The embedded derivative is measured at fair value through profit and loss at reporting date.

Impairment of financial assets

The following financial assets are tested for impairment by applying the expected credit loss impairment model:

- (a) Receivables from contracts with customers

The Group applies the simplified approach under AASB 9 to measuring the allowance for credit losses for receivables from contracts with customers. Under the AASB 9 simplified approach, the Group determines the allowance for credit losses for receivables from contracts with customer on the basis of the lifetime expected credit losses of the financial asset. Lifetime expected credit losses represent the expected credit losses that are expected to result from default events over the expected life of the financial asset.

Note 2. Significant accounting policies (continued)

p) Financial instruments (continued)

For all other financial assets subject to impairment testing, when there has been a significant increase in credit risk since the initial recognition of the financial asset, the allowance for credit losses is recognised on the basis of the lifetime expected credit losses. When there has not been an increase in credit risk since initial recognition, the allowance for credit losses is recognised on the basis of 12-month expected credit losses. 12-month expected credit losses is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Group consider a range of information when assessing whether the credit risk has increased significantly since initial recognition. This includes such factors as the identification of significant changes in external market indicators of credit risk, significant adverse changes in the financial performance or financial position of the counterparty and past due information.

The Group assumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 75 days past due.

The gross carrying amount of a financial asset is written off (i.e., reduced directly) when the counterparty is in severe financial difficulty and the Group has no realistic expectation of recovery of the financial asset. Financial assets written off remain subject to enforcement action by the Group. Recoveries, if any, are recognised in profit or loss.

q) Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a post-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

r) Trade and other payables

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

s) Borrowings

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

t) Finance costs

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

u) Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

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

Note 2. Significant accounting policies (continued)

u) Employee benefits (continued)

Share-based payments

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

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

Where the Group cannot reliably measure the fair value of the services rendered, the Group measures the fair value of the services with reference to the fair value of the equity instruments granted.

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

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

Where the equity settled transaction relates to services provided with respect to the cost of raising capital, the increase is recognised directly in equity

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

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

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

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

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

v) Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Warranty obligations are recognised as a provision and are measured at the Group's estimate of the expenditure required to fulfil its warranty obligations at the reporting date. The Group updates the measurement of the warranty provision at the end of each reporting period for changes in expectations.

Note 2. Significant accounting policies (continued)

w) Events after the reporting date

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial report is authorised for issue.

The amounts recognised in the financial statements reflect events after the reporting period that provide evidence of conditions that existed at the reporting date. Whereas events after the reporting period that are indicative of conditions that arose after the reporting period (i.e., which did not exist at the reporting date) are excluded from the determination of the amounts recognised in the financial statements.

x) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

y) Issued capital

Ordinary shares are classified as equity.

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

z) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of BirdDog Technology Limited and controlled entities, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

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.

aa) Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

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

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

bb) Rounding of amounts

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

Note 3. Critical accounting judgements, estimates and assumptions

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

a) Functional currency

The functional currency for the Group has been assessed by management as Australian dollars. Management has exercised judgement to determine the functional currency that most accurately represents the economic effects of the underlying transactions, events and conditions, which includes:

- The Directors and central management of the Group is in Australia;
- The Group raised convertible notes from wholesale investors in Australian dollars on 15 June 2021 and these were converted to shares on completion of the Initial Public Offering;
- The Group completed an Initial Public Offering on the Australian Stock Exchange on 16 December 2021, where capital was raised in Australian dollars.

b) Convertible notes - embedded derivative

On 15 June 2021, the Group raised capital through the issue of convertible notes at a face value of \$13,750,000. The convertible notes had a maturity date of 12 months from issue, with coupon interest payable every 6 months in arrears at a rate of 8.0% per annum, totalling \$1,100,000 on maturity. The notes automatically converted to ordinary shares on completion of the Initial Public Offering, on 16 December 2021 at which time the company issued 28,205,128 fully paid ordinary shares to investors. The conversion price for the fully paid ordinary shares was \$0.4875 (48.75 cents) per share.

The embedded derivative contained within the convertible notes was measured at fair value through profit and loss at the date of conversion. The fair value of the embedded derivative was initially measured at the date of issue using a Monte Carlo simulation, which required significant estimates, judgements and assumptions. These included the following assumptions:

- Estimated market value of the Group's shares in the event of an IPO;
- Risk free rates;
- Estimated volatility;
- Estimated timing of conversion events;

The gain or loss on the fair value of the embedded derivative is the difference between the fair value on the date of issue and the fair value at the date of conversion.

c) Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence including the nature of inventories.

d) Fair value measurement hierarchy

The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

e) Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

f) Other indefinite life intangible assets

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

g) Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

h) Income tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

i) Recovery of deferred tax assets

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

j) Employee benefits provision

As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

k) Share based payments

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date which they are granted. The fair value of options and share rights is determined by using a Black-Scholes or Monte Carlo model, taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share based payments would have no impact on the carrying value of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

l) Warranty provision

In determining the level of provision required for warranties the Group has made judgements in respect of the expected performance of the products, the number of customers who will actually claim under the warranty and how often, and the costs of fulfilling the conditions of the warranty. The provision is based on estimates made from historical warranty data associated with similar products and services.

Note 4. Fair value measurement

(a) Fair value hierarchy

The following table provides the fair value classification of those assets and liabilities held by the Group that are measured either on a recurring or non-recurring basis at fair value.

Consolidated - 2022

No financial liabilities were carried at fair value at year end

Consolidated - 2021

| Level 3 \$'000 | Total \$'000 |
|-------------------|-----------------|
|-------------------|-----------------|

Financial liabilities

Other derivative instruments at fair value through profit or loss

| | | |
|---|-------|-------|
| Convertible notes – embedded derivative | 4,833 | 4,833 |
|---|-------|-------|

(b) Reconciliation of recurring level 3 fair value movements

For each asset and liability categorised as recurring level 3 fair value measurements, the following table presents the reconciliation of fair value from opening balances to the closing balances.

| | 2022 \$'000 | 2021 \$'000 |
|--|----------------|----------------|
| Convertible notes - embedded derivative | | |
| Opening balance | 4,833 | - |
| Recognition of derivative liability | - | 4,844 |
| Gain recognised in profit and loss | (250) | (11) |
| Conversion to equity, on listing | (4,583) | - |
| Closing balance | <u>-</u> | <u>4,833</u> |

(c) Valuation processes used for level 3 fair value measurements

The following valuation processes have been utilised in determining Level 3 fair value measurements

Convertible notes - embedded derivative

A Monte Carlo simulation has been utilised to determine the fair value of the embedded derivative. The fair value estimate has been performed on the date of recognition and the date of conversion (16 December 2021), with the gain on the change in fair value recorded in the statement of profit and loss. The inputs into the fair value estimates have been disclosed in Note 3(b).

Note 5. Operating segments

Identification of reportable operating segments

The Group operated predominantly in the developing and manufacturing hardware and software video technology solutions industry. AASB 8 requires operating segments to be identified on the basis of internal reports about the components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The board reviews the Group as a whole in the business segment of developing and manufacturing hardware and software solutions.

Note 6. Revenue from contracts and customers

| | Consolidated | |
|--------------------------------------|---------------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Core product sales | 38,004 | 37,997 |
| Software licensing fees | 239 | 219 |
| Revenue from contracts and customers | <u>38,243</u> | <u>38,216</u> |

| | Consolidated | |
|---|---------------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| The total amount of revenue from contracts with customers recognised for the financial year includes: | | |
| Amounts that were included in the balance of contract liabilities at the beginning of the year | <u>46</u> | <u>790</u> |

| | Consolidated | |
|---|---------------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| The aggregate amount of transaction prices (unrecognised revenue) allocated to remaining performance obligations, at the reporting date, is as follows: | | |
| Software licensing fees | <u>60</u> | <u>46</u> |

The aggregate amount of transaction prices (unrecognised revenue) allocated to remaining performance obligations, at the reporting date (as disclosed above), is expected to be recognised as revenue within 12 months of the reporting date.

Note 7. Other revenue and other income

| | Consolidated | |
|---|---------------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Other revenue | 3 | 1 |
| Gain on embedded derivative at fair value through profit and loss | 250 | 11 |
| Foreign currency translation gains | 238 | 126 |
| Government grant income | - | 135 |
| Other revenue and other income | <u>491</u> | <u>273</u> |

Note 8. Operating profit

| | Consolidated | |
|---|---------------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Profit/(loss) before income tax includes the following specific expenses: | | |
| Finance costs | | |
| - Interest on loans with related parties | - | 144 |
| - Interest on trade loans | 201 | 232 |
| - Interest on leased liabilities | 28 | 7 |
| - Interest on convertible notes (host debt contract) at amortised cost | 1,961 | 233 |
| | <u>2,190</u> | <u>616</u> |
| Depreciation | 39 | 11 |
| Amortisation of leased assets | 109 | 63 |
| | <u>148</u> | <u>74</u> |
| Research and development costs | 1,212 | 991 |
| Employee benefits: | | |
| - Short term benefits | 4,196 | 3,123 |
| - Share based payments expense | 301 | 23 |
| - Superannuation guarantee contributions | 260 | 120 |
| - Other employee benefits | 52 | 29 |
| | <u>4,809</u> | <u>3,295</u> |

Note 9. Income tax

| | Consolidated 2022 \$'000 | Consolidated 2021 \$'000 |
|---|--------------------------------|--------------------------------|
| (a) Components of income tax (benefit) / expense | | |
| Current tax | 30 | 353 |
| Deferred tax | (532) | (32) |
| Under provision in prior years | - | 5 |
| | <u>(502)</u> | <u>326</u> |

(b) Income tax reconciliation

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

| | | |
|--|--------------|--------------|
| Prima facie income tax payable on profit/(loss) before income tax at 25.0% (2021: 26.0%) | (635) | 437 |
| Add tax effect of: | | |
| - R&D expenditure claimed as tax offset | 303 | 234 |
| - Impact of convertible note | 400 | - |
| - Other non-deductible items | 64 | 74 |
| - Under provision in prior years | - | 5 |
| - Correction of opening deferred tax asset | - | 29 |
| - Impact of change in income tax rate on deferred tax assets | - | 2 |
| | <u>767</u> | <u>344</u> |
| Less tax effect of: | | |
| - Other non-assessable income | - | (96) |
| - R&D Tax Offset | (437) | (347) |
| - Impact of change in income tax rate | (194) | - |
| - Impact of difference in tax rates by jurisdiction | (3) | - |
| - Impact of translation of foreign operations | - | (12) |
| | <u>(634)</u> | <u>(455)</u> |
| Income tax (benefit)/expense | <u>(502)</u> | <u>326</u> |

The Group qualifies for the Research and Development Tax Incentive, which results in the Group obtaining a tax offset for eligible research and development activities. Where the Group expects to receive the tax offset in the form of a refund, the amount is accrued in the statement of financial position at fair value of the tax offset receivable and is presented as government grant income in the statement of profit and loss and other comprehensive income. Where the Group will receive the tax offset in the form of a reduction in tax payable, the amount is recognised in the statement of financial position as a reduction in the current tax liability.

(c) Current tax

Current tax relates to the following:

| <i>Current tax liabilities / (assets)</i> | | |
|---|-------------|------------|
| Opening balance | 302 | - |
| Income tax | 30 | 353 |
| Income tax payments (net) | (417) | - |
| Carried forward R&D offset | - | (56) |
| Under/(over) provision | - | 5 |
| Closing balance | <u>(85)</u> | <u>302</u> |

Note 9. Income tax (continued)

| | Consolidated 2022 \$'000 | Consolidated 2021 \$'000 |
|---|--------------------------------|--------------------------------|
| (d) Deferred tax | | |
| Deferred tax relates to the following: | | |
| <i>Deferred tax assets</i> | | |
| The balance comprises: | | |
| - Employee benefits | 170 | 80 |
| - Warranty | 33 | - |
| - Leases | 6 | 1 |
| - Accruals | 25 | 19 |
| - Tax losses | 544 | - |
| - Transaction costs | 520 | 45 |
| Deferred tax assets | <u>1,298</u> | <u>145</u> |
| <i>Deferred tax liabilities</i> | | |
| The balance comprises: | | |
| - Unrealised FX gains | (99) | (32) |
| - Prepaid listing costs | - | (5) |
| Deferred tax liabilities | <u>(99)</u> | <u>(37)</u> |
| Net deferred tax assets / (liabilities) | <u>1,199</u> | <u>108</u> |
| Deferred taxes have been recognised at the relevant tax rate (Australia: 30%) at which they are expected to be realised for each separate tax jurisdiction. | | |
| (e) Deferred income tax (revenue) / expense included in income tax expense comprises | | |
| Increase in deferred tax assets | (949) | (86) |
| Decrease in deferred tax liabilities | 52 | 23 |
| Deferred income tax raised directly in equity | 560 | - |
| Impact of change in income tax rate | (195) | 2 |
| Correction of opening deferred tax assets | - | 29 |
| Deferred income tax benefit | <u>(532)</u> | <u>(32)</u> |
| (f) Income tax raised directly in equity | | |
| Share issue costs recognised directly in equity | (560) | - |
| | <u>(560)</u> | <u>-</u> |
| Franking credits | | |
| Franking credits available for use in subsequent years, based on an income tax rate of 25% (2021: 26%) | 287 | - |

The amount of franking credits available for use in subsequent years is determined on the basis of the balance of the franking account at the end of the reporting period, adjusted for franking credits / debits that will arise from the settlement of income tax liabilities, income tax receivables, dividends receivable and dividends payable recognised at the reporting date.

Note 10. Current assets - Cash and cash equivalents

| | Consolidated | |
|---------------|---------------|--------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Cash at bank | 12,786 | 9,258 |
| Term Deposits | 10,382 | - |
| | <u>23,168</u> | <u>9,258</u> |

The Group has short-term term deposits held in foreign currency (US dollars), each of which has a tenor/maturity date within six months of the end of the reporting period.

Note 11. Current assets - Receivables

| | Consolidated | |
|---|--------------|------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Receivables from contracts with customers | 3,343 | 519 |
| Other receivables | 77 | 102 |
| | <u>3,420</u> | <u>621</u> |

A receivable from a contract with a customer represents the Group's unconditional right to consideration arising from the transfer of goods or services to the customer (i.e., only the passage of time is required before payment of the consideration is due). Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Subsequent to initial recognition, receivables from contracts with customers are measured at amortised cost and are tested for impairment. Trade receivables are generally due for settlement within 30 days.

Note 12. Current assets - Inventories

| | Consolidated | |
|-----------------------|---------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Raw materials | 819 | 64 |
| Finished goods | 9,588 | 6,179 |
| Deposits on inventory | 8,617 | 5,027 |
| | <u>19,024</u> | <u>11,270</u> |

Deposits on inventory represent a 30% deposit placed with suppliers for inventory that has not been received prior to the end of the reporting period.

Note 13. Current assets - Other assets

| | Consolidated | |
|-----------------------|--------------|------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Prepayments | 297 | 57 |
| Prepaid listing costs | - | 104 |
| Deposits | 29 | 26 |
| | <u>326</u> | <u>187</u> |

Prepaid listing costs related to professional fees incurred in relation to the Group raising capital through the Initial Public Offering, after which these costs were allocated directly to equity.

Note 14. Current assets – Tax assets

| | Consolidated | |
|--------------------|--------------|--------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Current tax assets | 85 | - |

Note 15. Non-current assets - Lease assets

| | Consolidated | |
|---------------------------------------|---------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| (a) Lease assets | | |
| Buildings under lease | 1,862 | 235 |
| Accumulated amortisation | (100) | (113) |
| Total carrying amount of lease assets | <u>1,762</u> | <u>122</u> |
| | 2022 | 2021 |
| | \$'000 | \$'000 |

Buildings under lease

| | | |
|------------------------------|--------------|------------|
| Opening carrying amount | 122 | 74 |
| New leases acquired | 1,740 | 111 |
| Amortisation | (109) | (63) |
| Foreign currency translation | 9 | - |
| | <u>1,762</u> | <u>122</u> |

(b) Lease liabilities

| | | |
|--|--------------|------------|
| Current | | |
| Buildings under lease | 180 | 54 |
| Non-current | | |
| Buildings under lease | 1,605 | 73 |
| Total carrying amount of lease liabilities | <u>1,785</u> | <u>127</u> |

(c) Lease expense and cashflows

| | | |
|---------------------------------------|-----|----|
| Interest expense on lease liabilities | 28 | 7 |
| Amortisation expense on leased assets | 109 | 63 |
| Cash outflow in relation to leases | 119 | 52 |

Nature of the Group's leasing activities

The Group leases commercial office space in Australia and the USA.

The Group entered into a lease in Australia with an initial term of 8 years commencing on 1 April 2022. The lease includes an option of a further 5 years. Monthly rental payments are adjusted on the annual anniversary of the commencement date at the higher of CPI or a fixed percentage increase, with a market review at the end of the initial lease term. The lease is secured with a \$200,000 bank guarantee.

In the USA, the Group entered into a 3 year lease commencing in January 2021 at a fixed monthly rental for the term of the lease. The lease has a 1 year option.

Note 16. Non-current assets - Intangibles

| | Consolidated | |
|-----------|---------------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| IP Rights | 400 | - |

During the year the Group issued fully paid ordinary shares and options for the assignment of all IP created by a third party in connection with the development of the Group's products.

Note 17. Non-current assets - Property, plant and equipment

| | Consolidated | |
|-------------------------------------|---------------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Assets under construction - at cost | 479 | - |
| Computer equipment at cost | 148 | 85 |
| Accumulated depreciation | (61) | (22) |
| | 87 | 63 |
| | 566 | 63 |

Reconciliations

Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year:

| Consolidated | Assets under construction \$'000 | Computer equipment at cost \$'000 | Total \$'000 |
|-------------------------|---|--|-------------------------|
| Balance at 1 July 2020 | - | 8 | 8 |
| Additions | - | 66 | 66 |
| Depreciation expense | - | (11) | (11) |
| Balance at 30 June 2021 | - | 63 | 63 |
| Additions | 479 | 63 | 542 |
| Depreciation expense | - | (39) | (39) |
| Balance at 30 June 2022 | 479 | 87 | 566 |

Commitment for acquisition of plant and equipment

The assets under construction relate to the new Australian leased premises with the works still in progress at year end. As a result, there was no amortisation expense related to these improvements in the current financial year.

Refer to Note 37 in relation to the Group's contracted commitments to purchase plant and equipment.

Note 18. Non-current assets - other

| | Consolidated | |
|-------------|---------------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Prepayments | 230 | - |

Note 19. Current liabilities - Payables

| | Consolidated | |
|-------------------------------|---------------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Trade creditors | 967 | 997 |
| Sundry creditors and accruals | 827 | 652 |
| | <u>1,794</u> | <u>1,649</u> |

Note 20. Current liabilities - Borrowings

| | Consolidated | |
|--|---------------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Secured | | |
| Trade loans | - | 5,321 |
| Convertible notes - host debt contract | - | 8,643 |
| | <u>-</u> | <u>13,964</u> |

Assets pledged as security

The trade loan facility was secured by a first ranking General Security Agreement over the assets and undertakings of the Group, until formal relinquishment of the facility on 30 June 2022.

The convertible notes were secured by a General Security Deed over the whole assets of BirdDog Australia Pty Ltd, which was subordinated to the interests of the Export Finance Australia trade loan.

Trade Loan facility

The trade loan facility was repaid on 1 February 2022 and formally relinquished on 30 June 2022.

Convertible notes

The convertible notes were issued by BirdDog Australia Pty Ltd with a maturity date of 9 June 2022, being 12 months after issuance, with any coupon interest payable every 6 months in arrears at a rate of 8.0% per annum, with any such coupon interest payable contingent on the issuer not meeting the specified event hurdle by 9 December 2021. None of the convertible note holders were paid any interest as the event hurdle was met prior to 9 December 2021.

Interest expense recognised in the statement of profit and loss and other comprehensive income represents interest calculated under the effective interest rate method for amortisation of the host debt contract over the period of the convertible notes back to its face value.

In December 2021 the company issued 28,205,128 fully paid ordinary shares to investors following conversion of convertible notes with a face value of \$13,750,000 as part of the company's IPO on the Australian Securities Exchange. The conversion price for the fully paid ordinary shares was \$0.4875 (48.75 cents) per share.

Refer to note 29 for further information on financial instruments.

Note 21. Current liabilities - Provisions

| | Consolidated | |
|--------------------|--------------|--------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Employee benefits | 578 | 256 |
| Warranty provision | 112 | - |
| | 690 | 256 |
| | 690 | 256 |

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

Warranty provision

| | | |
|--|-----|---|
| Carrying amount at the start of the year | - | - |
| Warranty expense recognised in the profit and loss | 112 | - |
| | 112 | - |
| Carrying amount at the end of the year | 112 | - |

Warranty obligations

The Group provides a general warranty for all goods sold, as required by law. The Group does not provide customers with the option to purchase an additional or extended warranty. Warranty obligations are recognised as a provision and are measured at the Group's estimate of the expenditure required to fulfil its warranty obligations at the reporting date. The Group updates the measurement of the warranty provision at the end of each reporting period for changes in expectations.

Note 22. Current liabilities - Other financial liabilities

| | Consolidated | |
|---|--------------|--------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Convertible notes - embedded derivative | - | 4,833 |
| | - | 4,833 |

On 15 June 2021, the Group raised capital through the issue of convertible notes at a face value of \$13,750,000. The convertible notes had a maturity date of 12 months from issue, with coupon interest payable every 6 months in arrears at a rate of 8.0% per annum, totalling \$1,100,000 on maturity. The notes automatically converted to ordinary shares on completion of the Initial Public Offering, on 16 December 2021.

A Monte Carlo simulation was utilised to determine the fair value of the embedded derivative which was recorded as \$4,833,378 at 30 June 2021. The fair value estimate has been performed on the date of recognition and at 30 June 2021, with the gain on the change in fair value recorded in the condensed statement of profit and loss and other comprehensive income through to the conversion date of 8 December 2021. During the financial year and following the company's IPO, the carrying value has been transferred to equity.

Note 23. Current liabilities - Contract liabilities

| | Consolidated | |
|-----------------|--------------|--------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Unearned income | 60 | 46 |
| | 60 | 46 |

A contract liability represents the Groups obligation to transfer goods or services to the customer for which the Group has received consideration (or an amount of consideration is due) from the customer. Contract liabilities arise in relation to sale of goods when consideration is received from the customer in advance of control over the product being passed to the customer. Contract liabilities arise in relation to software product services when consideration is received from the customer in advance of the service being provided to the customer. Amounts recorded as contract liabilities are subsequently recognised as revenue when the Group transfers control over the goods or services to the customer. Services are generally provided by the Group within 12 months of the receipt of an advance payment from a customer.

Note 24. Non-current liabilities - Provisions

| | Consolidated | |
|-------------------|----------------|----------------|
| | 2022 \$'000 | 2021 \$'000 |
| Employee benefits | 22 | 37 |

Note 25. Equity - issued capital

| | Consolidated | | | |
|------------------------------|----------------|----------------|----------------|----------------|
| | 2022 Shares | 2021 Shares | 2022 \$'000 | 2021 \$'000 |
| Ordinary shares - fully paid | 204,615,385 | 111,112 | 46,956 | 250 |

Movements in ordinary share capital

| Details | Date | Shares | Issue price | \$'000 |
|---|-------------------|--------------------|-------------|---------------|
| Balance | 30 June 2021 | 111,112 | | 250 |
| Impact of 'top hat' restructure | 1 July 2021 | (111,112) | | - |
| Issue of shares to key employees | 24 September 2021 | 3,141,026 | | 63 |
| Issue of shares to acquire IP rights | 1 October 2021 | 1,884,615 | | 400 |
| Share split and share swap as part of IPO restructure to existing shareholder | 16 November 2021 | 12,564,103 | | - |
| Share split and share swap as part of IPO restructure to existing shareholders | 17 November 2021 | 108,051,282 | | - |
| Convertible notes - transfer of embedded derivative & host debt contract to equity on IPO | 8 December 2021 | 28,205,128 | \$0.4875 | 15,187 |
| Issue of IPO shares | 8 December 2021 | 50,769,231 | \$0.6500 | 33,000 |
| Share transaction costs, net of income tax | | - | | (1,944) |
| Balance | 30 June 2022 | <u>204,615,385</u> | | <u>46,956</u> |

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital. No issued ordinary shares are held by the company or a subsidiary or associate of the company.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Note 25. Equity - issued capital (continued)

The company may look to raise capital when an opportunity to invest in a business or company is seen as value adding relative to the current company's share price at the time of the investment.

Note 26. Equity - Reserves

| | Consolidated | |
|--|---------------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Foreign currency translation reserve | 1 | (20) |
| Share-based payments reserve | 995 | 269 |
| | <u>996</u> | <u>249</u> |
| (a) Foreign currency translation reserve | | |
| <i>Movements in reserve</i> | | |
| Opening balance | (20) | (12) |
| Exchange difference on translation of foreign operations | 21 | (8) |
| | <u>1</u> | <u>(20)</u> |

The foreign currency translation reserve is used to record the exchange differences arising on translation of a foreign entity.

(b) Share-based payments reserve

| | | |
|--|------------|------------|
| <i>Movements in reserve</i> | | |
| Opening balance | 269 | 29 |
| Share based payments recognised in profit and loss | 301 | 100 |
| Share based payments capitalised on recognition of convertible notes | - | 140 |
| Share based payments in consideration for acquisition of IP rights | 400 | - |
| Share based payments capitalised in issued capital – key employees options | (63) | - |
| Share based payments capitalised in issued capital – IP rights | (400) | - |
| Share based payments recognised as transactions costs net of share capital | 488 | - |
| | <u>995</u> | <u>269</u> |
| Closing balance | | |

Note 27. Equity - accumulated losses

| | Consolidated | |
|---|---------------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Accumulated losses at the beginning of the financial year | (84) | (1,438) |
| Profit/(loss) after income tax (expense)/benefit for the year | (2,039) | 1,354 |
| | <u>(2,123)</u> | <u>(84)</u> |
| Accumulated losses at the end of the financial year | | |

Note 28. Equity - dividends

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

Note 29. Financial instruments

The Group is exposed to the following financial risks in respect to the financial instruments that it held at the end of the reporting period:

- (a) Currency risk
- (b) Interest rate risk
- (c) Credit risk
- (d) Liquidity risk
- (e) Fair values compared with carrying amounts

The board of directors has overall responsibility for identifying and managing operational and financial risks.

The group holds the following financial instruments:

| | Consolidated | |
|--|---------------------|-----------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Financial assets | | |
| Cash and cash equivalents | 23,168 | 9,258 |
| Receivables from contracts with customers | 3,343 | 519 |
| Other receivables, including deposits | 106 | 128 |
| | <u>26,617</u> | <u>9,905</u> |
| Financial liabilities | | |
| Trade creditors | (967) | (997) |
| Sundry creditors & accruals | (827) | (652) |
| Borrowings | - | (5,321) |
| Convertible notes - host debt contract | - | (8,643) |
| Lease liabilities | (1,785) | (127) |
| | <u>(3,579)</u> | <u>(15,740)</u> |
| Derivative financial liabilities | | |
| <i>Derivative financial liabilities (measured at fair value)</i> | | |
| Convertible notes - embedded derivative | - | (4,833) |

(a) Currency risk

The group undertakes transactions denominated in foreign currencies. Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The carrying amounts of foreign currency denominated monetary assets and monetary liabilities at the reporting date are:

| | 2022 | 2022 | 2021 | 2021 |
|---|---------------|---------------|----------------|----------------|
| | USD | AUD | USD | AUD |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Monetary assets and liabilities | | | | |
| Cash and cash equivalents | 13,190 | 19,185 | 3,393 | 4,516 |
| Receivables from contracts with customers | 2,303 | 3,343 | 271 | 362 |
| Accounts payable | - | - | (719) | (959) |
| Borrowings | (426) | (620) | (4,000) | (5,321) |
| Lease liabilities | (55) | (80) | (75) | (99) |
| | <u>15,012</u> | <u>21,828</u> | <u>(1,130)</u> | <u>(1,501)</u> |

Note 29. Financial instruments (continued)

(a) Currency risk (continued)

Sensitivity

If foreign exchange rates were to increase/decrease by 10% from the rates prevailing at the reporting date, assuming all other variables remain constant, then the impact of profit for the year and equity would be as follows:

| United States dollars + / - 10% | 2022 AUD \$'000 | 2021 AUD \$'000 |
|------------------------------------|-----------------------|-----------------------|
| Impact on profit after tax | 1,514 | 101 |
| Impact on equity | 1,514 | 101 |

Management believes that the balance date risk exposures are representative of the risk exposure inherent in the financial instruments. Fluctuations of other foreign currencies is considered immaterial.

| | 2022 | 2021 |
|--|----------|----------|
| Balance Date Exchange Rate per RBA | \$0.6889 | \$0.7518 |
| 10% Unfavourable Movement in Exchange Rate | \$0.7578 | \$0.8270 |

Sensitivity Workings

| | 2022 AUD \$'000 10% Change in Rate | 2022 AUD \$'000 Impact | 2021 AUD \$'000 10% Change in Rate | 2021 AUD \$'000 Impact |
|---|--|---------------------------------|--|---------------------------------|
| Monetary Assets | | | | |
| Cash | 17,406 | (1,779) | 4,103 | (413) |
| Receivables from contracts with customers | 3,039 | (304) | 328 | (34) |
| | <u>20,445</u> | <u>(2,083)</u> | <u>4,431</u> | <u>(447)</u> |
| Monetary Liabilities | | | | |
| Accounts Payable | (562) | 58 | (870) | 90 |
| Borrowings | - | - | (4,837) | 484 |
| Lease Liability | (73) | 7 | (90) | 9 |
| | <u>(635)</u> | <u>65</u> | <u>(5,797)</u> | <u>583</u> |
| | <u>19,810</u> | <u>(2,018)</u> | <u>(1,366)</u> | <u>136</u> |
| Impact of tax – 2022: 25% (2021: 26%) | | 505 | | (35) |
| After tax | | <u>(1,514)</u> | | <u>101</u> |

Note 29. Financial instruments (continued)

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The exposure to interest rate risks in relation to future cash flows and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

| Financial Instruments | Interest – bearing AUD \$'000 | Non Interest- bearing AUD \$'000 | Total carrying amount AUD \$'000 |
|---|--|---|---|
| 2022 | | | |
| Financial Assets | | | |
| Cash and cash equivalents | 23,168 | - | 23,168 |
| Receivables from contracts with customers | - | 3,343 | 3,343 |
| Other receivables | - | 106 | 106 |
| Total financial assets | 23,168 | 3,449 | 26,617 |
| Financial Liabilities | | | |
| Trade creditors | - | (967) | (967) |
| Sundry payables & accruals | - | (827) | (827) |
| Lease liabilities | (1,785) | - | (1,785) |
| Total financial liabilities | (1,785) | (1,794) | (3,579) |
| | Interest – bearing AUD \$'000 | Non Interest- bearing AUD \$'000 | Total carrying amount AUD \$'000 |
| 2021 | | | |
| Financial Assets | | | |
| Cash and cash equivalents | 9,258 | - | 9,258 |
| Receivables from contracts with customers | - | 519 | 519 |
| Other receivables | - | 128 | 128 |
| | 9,258 | 647 | 9,905 |
| Financial Liabilities | | | |
| Trade creditors | - | (997) | (997) |
| Sundry payables & accruals | - | (652) | (652) |
| Trade loans | (5,321) | - | (5,321) |
| Lease liabilities | (127) | - | (127) |
| Convertible notes - host debt contract | (8,643) | - | (8,643) |
| Convertible notes - embedded derivative | - | (4,833) | (4,833) |
| | (14,091) | (6,482) | (20,573) |

Sensitivity: +/- 1%

If interest rates were to increase/decrease by 100 basis points from the rates prevailing at the reporting date, assuming all other variables remain constant, then the impact of profit for the year and equity would be as follows:

| | 2022 AUD \$'000 | 2021 AUD \$'000 |
|----------------------------|-----------------------|-----------------------|
| + / - 1% | | |
| Impact on profit after tax | 174 | 29 |
| Impact on equity | 174 | 29 |

Note 29. Financial instruments (continued)

| | 2022 Amount AUD \$'000 | 2022 Impact AUD \$'000 | 2021 Amount AUD \$'000 | 2021 Impact AUD \$'000 |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
| Variable financial assets & liabilities | | | | |
| Cash and cash equivalents | 23,168 | 232 | 9,258 | 93 |
| Trade loans | - | - | (5,321) | (53) |
| Before tax | <u>23,168</u> | <u>232</u> | <u>3,937</u> | <u>40</u> |
| Impact of tax - 2022: 25% (2021: 26%) | | <u>(58)</u> | | <u>(11)</u> |
| After tax | | <u>174</u> | | <u>29</u> |

(c) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date of recognised financial assets is the carrying amount of those assets, net of any provisions for impairment of those assets, as disclosed in consolidated statement of financial position and notes to financial statements.

(d) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The following table outlines the Group's remaining contractual maturities for non-derivative financial instruments. The amounts presented in the table are the undiscounted contractual cash flows of the financial liabilities, allocated to time bands based on the earliest date on which the Group can be required to pay.

| | < 6 Months \$'000 | 6-12 Months \$'000 | 1-5 years \$'000 | +5 years \$'000 | Total contractual cash flows \$'000 | Carrying value \$'000 |
|--------------------------------|----------------------|-----------------------|---------------------|--------------------|--|-----------------------------|
| Year ended 30 June 2022 | | | | | | |
| Trade creditors | (967) | - | - | - | (967) | (967) |
| Sundry creditors & accruals | (827) | - | - | - | (827) | (827) |
| Lease liabilities | (129) | (132) | (1,076) | (818) | (2,155) | (1,785) |
| Total maturities | <u>(1,923)</u> | <u>(132)</u> | <u>(1,076)</u> | <u>(818)</u> | <u>(3,949)</u> | <u>(3,579)</u> |

| | < 6 Months \$'000 | 6-12 Months \$'000 | 1-5 years \$'000 | +5 years \$'000 | Total contractual cash flows \$'000 | Carrying value \$'000 |
|--|----------------------|-----------------------|---------------------|--------------------|--|-----------------------------|
| Year ended 30 June 2021 | | | | | | |
| Trade creditors | (997) | - | - | - | (997) | (997) |
| Sundry creditors & accruals | (652) | - | - | - | (652) | (652) |
| Tax liabilities | - | (302) | - | - | (302) | (302) |
| Trade loans | (5,321) | - | - | - | (5,321) | (5,321) |
| Lease liabilities | (44) | (16) | (80) | - | (140) | (127) |
| Convertible notes – host debt contract | - | (14,850) | - | - | (14,850) | (13,476) |
| Total maturities | <u>(7,014)</u> | <u>(15,168)</u> | <u>(80)</u> | <u>-</u> | <u>(22,262)</u> | <u>(20,875)</u> |

e) Fair values compared with carrying amounts

The fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in the consolidated statement of financial position and notes to the financial statements.

Note 30. Directors' and executives' compensation

| | Consolidated | |
|--------------------------------|--------------|--------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Short-term employment benefits | 1,064 | 1,401 |
| Post-employment benefits | 106 | 50 |
| Other long-term benefits | 36 | 17 |
| Share-based payments | 273 | - |
| | 1,479 | 1,468 |
| | 1,479 | 1,468 |

Note 31. Contingent liabilities and contingent assets

The Group has given a bank guarantee as at 30 June 2022 of \$200,000 (2021: Nil) to the landlord of its Australian head office. Other than this bank guarantee, the Group had no contingent liabilities or contingent assets as at the end of the current and prior financial year.

Note 32. Related party transactions

Parent entity

BirdDog Technology Limited is the parent entity.

Transactions with related parties

There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

As at 30 June 2022, BirdDog Australia Pty Ltd had no loans payable to the previous parent entity and key management personnel. These loans were repaid via instalments during the 2021 financial year. Details regarding loans with the previous parent entity and key management personnel are as follows:

| Related party | 2021 Loan Balance \$'000 | 2021 Effective interest rate | 2021 Interest exp. \$'000 | 2020 Loan balance \$'000 |
|--------------------|--------------------------------|------------------------------------|---------------------------------|--------------------------------|
| BirdDog Unit Trust | - | 3.57% | 20 | 556 |
| Dan Miall | - | 25.57% | 57 | 247 |
| Eamon Drew | - | 24.82% | 37 | 171 |
| Barry Calnon | - | 26.46% | 30 | 95 |

There were no new loans entered into with the parent entity during the 2022 financial year.

Note 33. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

| | Parent | |
|--------------------------|----------------|----------------|
| | 2022 \$'000 | 2021 \$'000 |
| Loss after income tax | (56) | - |
| Total comprehensive loss | <u>(56)</u> | <u>-</u> |

Statement of financial position

| | Parent | |
|---------------------------------------|----------------------|-----------------|
| | 2022 \$'000 | 2021 \$'000 |
| Total current assets | - | - |
| Total non-current assets | 47,896 | - |
| Total assets | <u>47,896</u> | <u>-</u> |
| Total current liabilities | - | - |
| Total non-current liabilities | - | - |
| Total liabilities | <u>-</u> | <u>-</u> |
| Equity | | |
| Issued capital | 46,956 | - |
| Share-based payments reserve | 996 | - |
| Retained profits/(accumulated losses) | <u>(56)</u> | <u>-</u> |
| Total equity surplus | <u><u>47,896</u></u> | <u><u>-</u></u> |

The summarised financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except for investments in subsidiaries which are accounted for at cost in the financial statements of the parent entity. The parent entity was incorporated 2 September 2021.

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity has provided no guarantees in relation to the debts of its subsidiaries during the year. It did provide letters of financial support in relation to its USA subsidiaries in the prior year.

Contingent liabilities

The parent entity had no contingent liabilities as at the end of the current and prior financial year.

Contractual commitments

The parent entity had no contractual commitments as at the end of the current and prior financial year.

Note 34. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

| Name | Principal place of business / Country of incorporation | Ownership interest 2022 % |
|--------------------------------------|---|------------------------------------|
| BirdDog Australia Pty Ltd | Australia | 100% |
| BirdDog Technology Australia Pty Ltd | Australia | 100% |
| BirdDog Australia (USA) Inc | USA | 100% |

Significant restrictions

There are no significant restrictions over the Group's ability to access or use assets and settle liabilities of the Group.

Note 35. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Pitcher Partners, the auditor of the company:

| | Consolidated | |
|--|-----------------------|-----------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Audit services - Pitcher Partners Melbourne</i> | | |
| Audit or review of the financial statements | 152,500 | 98,000 |
| Investigative accountants report and due diligence | 62,200 | 50,000 |
| | <u>214,700</u> | <u>148,000</u> |
| <i>Other services - Pitcher Partners</i> | | |
| Taxation services | 138,010 | 72,381 |
| General advisory | 65,962 | - |
| | <u>203,972</u> | <u>72,381</u> |
| | <u><u>418,672</u></u> | <u><u>220,381</u></u> |

Note 36. Events after the reporting period

No matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years other than the matter described immediately below. The Group determined to form a tax consolidated group for Australian income tax purposes, effective 1 July 2022, with the Company the 'head' of the tax consolidated group.

Note 37. Commitments

| | Consolidated | |
|---|--------------|----------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| <i>Capital expenditure commitments</i> | | |
| Committed at the reporting date but not recognised as liabilities, payable: | | |
| Acquisition of property, plant and equipment | 65 | - |
| Total capital commitments | <u>65</u> | <u>-</u> |

The Group's capital expenditure commitments related to the fit-out of leasehold properties which were in progress at the end of the year.

Note 38. Cash flow information

(a) Reconciliation of profit/(loss) after income tax to net cash used in operating activities

| | Consolidated | |
|--|---------------------|----------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Profit/(loss) after income tax (expense)/benefit for the year | (2,039) | 1,354 |
| Adjustments for: | | |
| Amortisation of leased assets | 109 | 63 |
| Depreciation | 39 | 11 |
| Net foreign exchange differences | 67 | (6) |
| Interest on convertible notes under effective interest rate method | 1,961 | 233 |
| Transaction costs recognised as financing cash flows | - | 194 |
| Gain on embedded derivative at fair value through profit and loss | (250) | (11) |
| Share based payment expense | 301 | 99 |
| Interest on lease liabilities | 28 | 7 |
| Deferred tax assets recognised in equity | 560 | - |
| Prepayments recognised in equity | 104 | - |
| Change in operating assets and liabilities: | | |
| (Increase)/decrease in receivables | (2,799) | 810 |
| (Increase)/decrease in other assets | (369) | 69 |
| Increase in inventories | (7,754) | (10,419) |
| Increase in tax assets | (387) | - |
| Increase/(decrease) in payables | 145 | 113 |
| Increase/(decrease) in other liabilities | 14 | (744) |
| (Increase)/decrease in deferred tax assets | (1,091) | 24 |
| Increase in current tax liabilities | - | 302 |
| Increase in other provisions | 419 | 143 |
| Net cash used in operating activities | <u>(10,942)</u> | <u>(7,758)</u> |

(b) Credit standby arrangements with banks

| | Consolidated | |
|----------------------------|---------------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Trade loan facility | - | 5,987 |
| Amount utilised | - | (5,321) |
| Unused trade loan facility | <u>-</u> | <u>666</u> |

Note 38. Cash flow information (continued)

(c) Reconciliation of liabilities arising from financing activities

Liabilities arising from financing activities are liabilities for which cash flows are, or will be, classified as 'cash flows from financing activities' in the consolidated statement of cash flows. Changes in the carrying amount of such liabilities, which comprise short-term trade loan facilities, convertible notes issued (split between host debt contract and the embedded derivative) and lease liabilities, are summarised below:

| | Consolidated | |
|---|---------------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Balance at the beginning of the year | 18,924 | 2,235 |
| Net (repayment) / proceeds from trade loan facilities | (5,321) | 4,441 |
| Proceeds from convertible notes | - | 13,750 |
| Transaction costs capitalised on recognition of convertible notes (host debt contract) | - | (356) |
| Share based payments capitalised on recognition of convertible notes (host debt contract) | - | (140) |
| Interest on convertible notes (host debt contract) under effective interest method | 1,968 | 233 |
| Gain on fair value of convertible notes (embedded derivative) | (250) | (11) |
| New lease arrangements | 1,740 | 112 |
| Lease payments | (119) | (69) |
| Interest on lease payments | 28 | 7 |
| Foreign currency translation of leases | 9 | - |
| Repayment of director related party loans | - | (1,278) |
| Conversion of convertible notes to equity (host debt contract) | (10,611) | - |
| Conversion of convertible notes to equity (embedded derivative) | (4,583) | - |
| Balance at the end of the year | <u>1,785</u> | <u>18,924</u> |

Note 39. Earnings/(loss) per share

| | Consolidated | |
|---|---------------------|--------------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Profit/(loss) after income tax attributable to the owners of BirdDog Technology Limited and controlled entities | <u>(2,039)</u> | <u>1,354</u> |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | <u>168,789,898</u> | <u>120,615,385</u> |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>168,789,989</u> | <u>120,615,385</u> |
| | Cents | Cents |
| Basic earnings/(loss) per share | (1.21) | 1.12 |
| Diluted earnings/(loss) per share | (1.21) | 1.12 |

For the comparative period the number of shares used of 120,615,385 has been adjusted retrospectively as a result of the Restructure share split undertaken during the year ended 30 June 2022.

Note 40. Share-based payments

During the financial year the Company issued the following options:

- 1,000,000 unlisted options exercisable at \$0.65 (65 cents) on or before 16 December 2026 as partial consideration for the acquisition of IP rights.
- 5,366,695 unlisted options to the lead manager of the Company's IPO exercisable at \$0.975 (97.5 cents) per option on or before 16 December 2024.
- 550,000 unlisted options as part of the Company's Employee Share Option Plan (ESOP) to eligible employees with an exercise price of \$0.65 (65 cents) per option on or before 16 December 2026.
- 230,000 unlisted options to Non-executive Directors with an issue price of \$0.65 (65 cents) per option on or before 16 December 2026.
- 230,000 unlisted options to Non-executive Directors with an issue price of \$0.7475 (74.75 cents) per option on or before 16 December 2026.
- 240,000 unlisted options to Non-executive Directors with an issue price of \$0.845 (84.5 cents) per option on or before 16 December 2026.

A summary of the options and rights granted during the current and previous financials years are noted below:

| 2022 | | | | | | | |
|------------|-------------|----------------|----------------------------------|-----------|-----------|-------------------------|--------------------------------|
| Options | | | | | | | |
| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/forfeited/other | Balance at the end of the year |
| 30/09/2021 | 16/12/2026 | \$0.65 | - | 1,000,000 | - | - | 1,000,000 |
| 09/06/2021 | 16/12/2024 | \$0.975 | - | 5,366,695 | - | - | 5,366,695 |
| 16/12/2021 | 16/12/2026 | \$0.65 | - | 230,000 | - | - | 230,000 |
| 16/12/2021 | 16/12/2026 | \$0.7475 | - | 230,000 | - | - | 230,000 |
| 16/12/2021 | 16/12/2026 | \$0.845 | - | 240,000 | - | - | 240,000 |
| 16/12/2021 | 16/12/2026 | \$0.65 | - | 550,000 | - | - | 550,000 |
| | | | - | 7,616,695 | - | - | 7,616,695 |

Set out below are summaries of performance rights granted under the plan:

| 2022 | | | | | | | |
|--------------|-------------|---------------|----------------------------------|-----------|-----------|-------------------------|--------------------------------|
| Share Rights | | | | | | | |
| Grant date | Expiry date | Vesting price | Balance at the start of the year | Granted | Exercised | Expired/forfeited/other | Balance at the end of the year |
| 24/09/2021 | 16/12/2024 | \$0.78 | - | 568,846 | - | - | 568,846 |
| 24/09/2021 | 16/12/2024 | - | - | 568,846 | - | - | 568,846 |
| 24/09/2021 | 16/12/2024 | - | - | 568,846 | - | - | 568,846 |
| | | | - | 1,706,538 | - | - | 1,706,538 |

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

| 2022 | | | | | | | |
|------------|--------------|---------------------------|----------------|---------------------|----------------|-------------------------|--------------------------|
| Grant date | Vesting date | Share price at grant date | Exercise price | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at grant date |
| 30/09/2021 | 16/12/2021 | \$0.65 | \$0.65 | 50.00% | - | 0.75% | \$0.400 |
| 09/06/2021 | 16/12/2024 | \$0.65 | \$0.975 | 50.00% | - | 0.75% | \$0.141 |
| 16/12/2021 | 16/12/2022 | \$0.65 | \$0.65 | 50.00% | - | 0.75% | \$0.131 |
| 16/12/2021 | 16/12/2023 | \$0.65 | \$0.7475 | 50.00% | - | 0.75% | \$0.151 |
| 16/12/2021 | 16/12/2024 | \$0.65 | \$0.845 | 50.00% | - | 0.75% | \$0.168 |
| 16/12/2021 | 16/12/2026 | \$0.65 | \$0.65 | 55.00% | - | 0.75% | \$0.306 |

Note 40. Share-based payments (continued)

For the share rights granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

| 2022 | | | | | | | |
|------------|--------------|---------------------------|----------------|---------------------|----------------|-------------------------|--------------------------|
| Grant date | Vesting date | Share price at grant date | Exercise price | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at grant date |
| 24/09/2021 | 16/12/2022 | \$0.65 | \$0.78 | 55.00% | - | 0.01% | \$0.321 |
| 24/09/2021 | 16/12/2023 | \$0.65 | - | 55.00% | - | 0.02% | \$0.361 |
| 24/09/2021 | 16/12/2024 | \$0.65 | - | 55.00% | - | 0.22% | \$0.371 |

The Share Rights vest in accordance with the following share price performance criteria:

- The Tranche 1 Share Rights vest upon the 20 day volume weighted average price of BirdDog's shares (VWAP) (measured over the VWAP Period) exceeding the initial issue price under its initial public offering by 20%.
- The Tranche 2 Share Rights vest upon the 20 day VWAP (measured over the VWAP Period) exceeding the 20 day VWAP during the VWAP Period for the preceding year by 20%.
- The Tranche 3 Share Rights vest upon the 20 day VWAP (measured over the VWAP Period) exceeding the 20 day VWAP during the VWAP Period for the preceding year by 20%.

Fair value of options granted

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Monte Carlo simulation or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. 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 profit or loss and equity.

Share based payments reserve - lead manager options

On 14 March 2021, the Group engaged PAC Partners as lead manager to provide capital raising services. In lieu of a retainer, the Group issued options equivalent to 2.5% of the post-money fully diluted capital structure of the company at the date of the anticipated Initial Public Offering. PAC Partners was subsequently issued 5,366,695 options upon listing.

The fair value of the share based payment reserve on options issued to the lead manager was estimated using a Black Scholes model. This required significant estimates and assumptions in determining their fair value. The following assumptions were included in the Black Scholes model:

- Risk free rate of 0.75%;
- Estimated volatility of 50.0% using comparable listed companies;
- Anticipated IPO price of \$0.65.

Share based payments reserve – acquisition of intellectual property (IP) rights

On 31 July 2021 the Group entered into a share based payment transaction to acquire the remaining 50% interest in IP rights the Group had co-developed. The IP rights acquired have been recorded as an intangible asset at their fair value which equates to approximately \$400,000 with the counterparty receiving 1,000,000 options as consideration.

The fair value of the share based payment reserve on options issued to the counterparty was determined by reference to the estimated fair value of the IP rights acquired.

Note 40. Share-based payments (continued)

Share based payments reserve - employee share rights

Effective 1 April 2019, BirdDog Australia Pty Ltd entered into a remuneration contract with the Group's first employee, with the effect that the employee was entitled to receive a 2.5% interest in ordinary shares of BirdDog Australia Pty Ltd should a sale event or Initial Public Offering occur.

The fair value of the share based payment reserve is based on a comparable capital raise that occurred around grant date. The fair value of the share based payments reserve on grant date was estimated at \$62,494, being 2.5% of the value of BirdDog Australia Pty Ltd.

The share based payment expense is recognised on a straight line basis over service period, which has been measured from 1 April 2019 (grant date) to 16 December 2021 (IPO date).

Share based payments reserve – Non-executive directors' options

Upon the listing of the Group's shares on the ASX, 700,000 options were granted to its non-executive directors as part of their remuneration arrangements.

The fair value of the share based payment reserve on options issued to the non-executive directors was estimated using a Black Scholes model. This required significant estimates and assumptions in determining their fair value. The following assumptions were included in the Black Scholes model:

- Risk free rate of 0.75%;
- Estimated volatility of 50.0% using comparable listed companies;
- Anticipated IPO price of \$0.65
- Vesting dates: and exercise prices:
 - - Tranche 1: 16 December 2022: \$0.65
 - - Tranche 2: 16 December 2023: \$0.7475
 - - Tranche 3: 16 December 2024: \$0.845
- Expiry date: 16 December 2026

The share based payment expense is recognised based on the fair value of each tranche.

Share based payments reserve – Executive share rights

On 24 September 2021, the Group issued 1,706,538 share rights to its key management personnel exercisable based on the achievement of conversion hurdles which are aligned to the company's share price growth on a rolling basis, measured annually for the subsequent 3 years.

The fair value of the share based payment reserve on rights issued to the executives was estimated using a Monte Carlo simulation model. This required significant estimates and assumptions in determining their fair value. The following assumptions were included in the Monte Carlo simulation model:

- Risk free rate:
 - - Tranche 1: 0.01%
 - - Tranche 2: 0.02%
 - - Tranche 3: 0.22%
- Estimated volatility of 55.0% using comparable listed companies;
- Anticipated IPO price of \$0.65
- Vesting dates and share price hurdles:
 - - Tranche 1: 30 November 2022: \$0.65 plus 20%
 - - Tranche 2: 30 November 2023: Tranche 1 20 Day VWAP (ended 30 November 2022) plus 20%
 - - Tranche 3: 30 November 2024: Tranche 2 20 Day VWAP (ended 30 November 2023) plus 20%
- Expiry date: 24 November 2026

Note 40. Share-based payments (continued)

The share based payment expense is recognised based on the fair value of each tranche.

Share based payments reserve – Employee options

Upon the listing of the Group's shares on the ASX, 550,000 options were granted to employees (excluding key management personnel and directors) as part of their remuneration arrangements.

The fair value of the share based payment reserve on options issued to the employees was estimated using a Black Scholes model. This required significant estimates and assumptions in determining their fair value. The following assumptions were included in the Black Scholes model:

- Risk free rate of 0.75%;
- Estimated volatility of 55.0% using comparable listed companies;
- Anticipated IPO price of \$0.65
- Exercise price: \$0.65
- Expiry date: 16 December 2026

The share based payment expense is recognised on a straight line basis over the 5 year period to the expiry date.

Expense recognised from share based payment transactions

The expense recognised in relation to the share-based payment transactions was recognised within employee benefits expense within profit or loss were as follows:

| | Consolidated | |
|--------------------------------------|---------------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Lead manager options | - | 76 |
| Key employee share options (pre IPO) | 10 | 23 |
| Employee share rights | 18 | - |
| Non-executive directors' options | 32 | - |
| Executive share rights | 241 | - |
| Total expense recognised | 301 | 99 |

Directors' Declaration

The directors declare that:

1. In the directors' opinion, the consolidated financial statements and notes thereto, as set out on pages 23 to 63, are in accordance with the *Corporations Act 2001*, including:
 - a) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;
 - b) as stated in Note 1, the consolidated financial statements also comply with International Financial Reporting Standards; and
 - c) giving a true and fair view of the financial position of the Group as at 30 June 2022 and of its performance for the year ended on that date.
2. In the directors' opinion there are reasonable grounds, at the date of this declaration, to believe that BirdDog Technology Limited will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made by the Managing Director & Chief Executive Officer and Chief Financial Officer to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2022.

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

On behalf of the directors



Mr John Dixon
Non-executive Chairman

31 August 2022

BIRDDOG TECHNOLOGY LIMITED
ABN: 18 653 360 448

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BIRDDOG TECHNOLOGY LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of BirdDog Technology Limited “the Company” and its controlled entities “the Group”, which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors’ declaration.

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

- (a) giving a true and fair view of the Group’s financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- (b) 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 and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* “the Code” that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

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.

**BIRDDOG TECHNOLOGY LIMITED
ABN: 18 653 360 448**

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BIRDDOG TECHNOLOGY LIMITED**

Key Audit Matters (continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| <i>Revenue recognition</i> | |
| Refer to Note 6. | |
| <p>The Group's revenue from contracts with customers of \$38.243m, (2021: \$38.216m) is derived primarily from core product sales and software licensing fees.</p> <p>We focused on the existence and cut-off in regards to the appropriate recognition of revenue as a key audit matter as revenue is a key performance indicator for the Group.</p> | <p>Our procedures included amongst others:</p> <ul style="list-style-type: none"> • Reviewing the Group's terms and conditions attached to sale of core products; • Understanding and evaluating the design and implementation of the Group's controls and processes for recognising and recording revenue transactions; • Testing existence of a sample of revenue transactions to supporting documentation; • Testing on a sample basis cut-off for invoices raised close to year-end against performance obligations; • Analysing manual journal entries impacting revenue; and • Assessing the adequacy of the disclosures in the financial statements. |

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's directors' report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report. The other information also comprises the Chairman's report, which is expected to be made available after the date of this auditor's report.

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

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

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

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BIRDDOG TECHNOLOGY LIMITED
ABN: 18 653 360 448

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BIRDDOG TECHNOLOGY LIMITED

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or 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 Group'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 Group'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 Group 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.

BIRDDOG TECHNOLOGY LIMITED
ABN: 18 653 360 448

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BIRDDOG TECHNOLOGY LIMITED

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 19 of the directors' report for the year ended 30 June 2022. In our opinion, the Remuneration Report of BirdDog Technology 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.



T LAPHORNE
Partner



PITCHER PARTNERS
Melbourne

Date: 31 August 2022

The shareholder information set out below was applicable as at 17 August 2022.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

| | Ordinary shares | | Options over ordinary shares | |
|---------------------------------------|-------------------|--------------------------|------------------------------|--------------------------|
| | Number of holders | % of total shares issued | Number of holders | % of total shares issued |
| 1 to 1,000 | 35 | 0.01 | - | - |
| 1,001 to 5,000 | 138 | 0.21 | - | - |
| 5,001 to 10,000 | 56 | 0.22 | - | - |
| 10,001 to 100,000 | 222 | 3.91 | 21 | 0.27 |
| 100,001 and over | 85 | 95.65 | 5 | 3.45 |
| | 536 | 100.00 | 26 | 3.72 |
| Holding less than a marketable parcel | 79 | - | - | - |

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

| | Ordinary shares | |
|---|--------------------|--------------------------|
| | Number held | % of total shares issued |
| Home Made Robots Pty Ltd (Robot Sup Awesome Extr A/C) | 44,747,564 | 21.87 |
| Restless Robot Pty Ltd (Miall Family A/C) | 44,697,564 | 21.85 |
| Khlebny Pereulok Pty Ltd (Romashkavaya A/C) | 18,999,153 | 9.29 |
| Gregory Robert Thomson (GT Discretionary A/C) | 12,097,102 | 5.91 |
| One Fund Services Ltd (CVC Emerging Comp II A/C) | 10,128,462 | 4.95 |
| National Nominees Limited | 9,227,827 | 4.51 |
| CS Third Nominees Pty Limited (HSBC Cust Nom Au Ltd 13 A/C) | 7,836,042 | 3.83 |
| HSBC Custody Nominees (Australia) Limited | 7,221,477 | 3.53 |
| J P Morgan Nominees Australia Pty Limited | 5,588,462 | 2.73 |
| One Funds Management Ltd (Saville Capital Pre-IPO A/C) | 5,500,001 | 2.69 |
| HSBC Custody Nominees (Australia) Limited - A/C 2 | 3,570,740 | 1.75 |
| Adil Arshad | 3,141,025 | 1.54 |
| Sandhurst Trustees Ltd (Cyan C3G Fund A/C) | 2,072,436 | 1.01 |
| Skissebua AS | 1,884,615 | 0.92 |
| Invia Custodian Pty Limited (Akay Super Fund A/C) | 1,739,792 | 0.85 |
| Cranport Pty Ltd (No. 4 A/C) | 1,426,848 | 0.70 |
| BNP Paribas Noms Pty Ltd (DRP) | 1,065,000 | 0.52 |
| RXC Pty Ltd (Woolwich Arsenal S/F AA/C) | 1,000,000 | 0.49 |
| Sandhurst Trustees Ltd (Wunala Capital A/C) | 605,129 | 0.30 |
| Invia Custodian Pty Limited (Hall Family A/C) | 584,258 | 0.29 |
| | 183,133,497 | 89.53 |

Unquoted equity securities

| | Number on issue | Number of holders |
|-------------------------------------|----------------------------|------------------------------|
| Options over ordinary shares issued | 7,616,695 | 26 |
| Share rights | 1,706,538 | 4 |

Substantial holders

Substantial holders in the company are set out below:

| | Ordinary shares % of total shares issued |
|---|---|
| | Number held |
| Home Made Robots Pty Ltd (Robot Sup Awesome Extr A/C) | 44,747,564 |
| Restless Robot Pty Ltd (Miall Family A/C) | 44,697,564 |
| Khlebny Pereulok Pty Ltd (525 Romashkavaya A/C) | 18,999,153 |
| Gregory Robert Thomson (GT Discretionary A/C) | 12,097,102 |

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

Securities subject to voluntary escrow

| Class | Expiry date | Number of shares |
|---|--------------------|-----------------------------|
| Fully paid ordinary shares | 16 December 2022 | 15,830,769 |
| Fully paid ordinary shares | 16 December 2023 | 97,246,154 |
| Unquoted options exercisable at \$0.65 on or before 16 December 2024 | 16 December 2024 | 5,366,695 |
| | | <u>118,443,618</u> |

Consistency with business objectives - ASX Listing Rule 4.10.19

In accordance with ASX Listing Rule 4.10.9, the Group states that it has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. The business objectives are maximising performance, generating appropriate levels of shareholder value and financial return, and sustaining the growth and success of the Company. Consistent with the use of funds which were disclosed in the Company's Prospectus dated 18 November 2021, the Group believes it has used its cash in a consistent manner for the following purposes:

- Expenses of the Public Offer;
- Inventory build;
- Manufacturing Development;
- Product Engineering & Design;
- Regulatory Management;
- Marketing Expenses;
- Working Capital; and
- IP Management.