



Adveritas

For personal use only



ANNUAL REPORT

2022

CORPORATE DIRECTORY

DIRECTORS

Non-Executive Chairman
Mr Stephen Belben

Managing Director and Chief Executive Officer
Mr Mathew Ratty

Non-Executive Directors
Mr Renaud Besnard
Mr Mark McConnell
Mr Andrew Stott

COMPANY SECRETARY

Ms Susan Park

PRINCIPAL AND REGISTERED OFFICE

Suite 10, 16 Brodie Hall Drive
Bentley WA 6102

Telephone: +61 8 9473 2500
Facsimile: +61 8 9473 2501

SHARE REGISTER

Computershare Investor Services Pty Limited
Level 11, 172 St Georges Terrace
Perth WA 6000

Telephone: +61 8 9323 2000
Facsimile: +61 8 9323 2033

SECURITIES EXCHANGE LISTING

Adveritas Limited shares are listed on the
Australian Securities Exchange
(ASX: AV1)

SOLICITORS

Steinepreis Paganin
Level 4, The Read Building
16 Milligan Street
Perth WA 6000

BANKERS

Commonwealth Bank of Australia Limited
150 St Georges Terrace
Perth WA 6000

AUDITORS

Ernst & Young
The EY Building
11 Mounts Bay Road
Perth WA 6000

TABLE OF CONTENTS

	Page
Letter to shareholders	2
Directors' Report	4
Auditor's Independence Declaration	24
Consolidated Statement of Profit and Loss and Other Comprehensive Income	25
Consolidated Statement of Financial Position	26
Consolidated Statement of Cash Flows	27
Consolidated Statement of Changes in Equity	28
Notes to the Financial Statements	29
Directors' Declaration	66
Independent Auditor's Report	67
ASX Additional Information	73

LETTER TO SHAREHOLDERS



Mathew J. Ratty
Chief Executive Officer



Stephen Belben
Non-Executive Chairman

Dear Shareholder,

Welcome to Adveritas' 2022 Annual Report covering the 12 months ended 30 June 2022 (FY22). The year just completed was another positive one, with the Company achieving multiple growth milestones:

- Rapidly increasing annual recurring revenue (ARR)
- Multiple major client wins
- Launching new go-to-market channels via Google Cloud Marketplace and Facebook
- Increasing pace of cross-sell and expansion of services to existing clients.

None of this would have been possible without the passionate Adveritas team. We would like to thank them for their dedication and commitment that has supported the continued growth in our business over the past year.

Rapidly increasing ARR

The rapid growth in ARR over FY22 reflects the increasing number of companies that have learnt about, and better understand, the enhanced returns TrafficGuard brings to their digital marketing spend. In addition, existing clients who have seen the benefits from using TrafficGuard are now utilising additional services in line with our Company's "land and expand" growth initiative.

ARR at 30 June 2022 was circa \$2.5 million, up 145% on 30 June 2021. With our pipeline of potential new clients now the largest it's ever been, we don't expect our pace of growth to slow.

Multiple major client wins

New customer wins over FY22 came from a range of industries, including gaming, telecommunications, retail, and media and entertainment and included:

- **Betfred**, the largest private retail bookmaker in the UK
- **William Hill**, a leading global online bookmaker, based in the UK
- **Singtel**, Asia's leading communications group (parent company of Optus)
- **Fortuna Entertainment group**, a leading omni-channel betting and gaming operator in Central and Eastern Europe
- **Banco Santander**, one of Spain's main banking and financial services companies, which also operates on a multinational level
- **Smarmets**, an award-winning, UK-based, low commission betting company
- **BoyleSports**, a bookmaker based in Ireland with over 320 retail branches throughout the UK and Ireland.

These blue-chip customer contracts were for Pay Per Click (PPC), Mobile, and Affiliate products, and follow from the investments we have made in sales and marketing, including the appointments of Chad Kinlay as Chief Marketing Officer and Matt Sutton as Chief Revenue Officer.

A number of major global clients have also had upgrades over the year.

Since commencing FY23, new blue-chip clients including gaming business **Better Collective**, global online travel company **Lux Escapes**, and global media and entertainment business **Disney Streaming Services**, have signed contracts to use TrafficGuard's digital anti-fraud software.

New go-to-market channels via Google Cloud Marketplace and Facebook

Following its integration with the Google Cloud Marketplace platform in October 2021, the first sale of TrafficGuard via the Marketplace occurred in May 2022.

TrafficGuard is the only digital anti-fraud solution on the Google Cloud Marketplace. Being the preferred vendor for Google Cloud has opened additional global sales channels for the Company, providing access to Google Cloud's customer base around the world, particularly in key target countries, and streamlines legal and procurement times, reducing the sales cycle.

TrafficGuard now offers more anti-fraud solutions for Google Cloud users other than PPC verification, including its flagship Mobile App install verification, ensuring clients are not paying for misattributed or fake installs of their apps, and Affiliate Verification, which mitigates affiliate misattribution and ensure clients are paying for real conversions to their website.

LETTER TO SHAREHOLDERS (CONTINUED)

TrafficGuard recently entered beta trials for PPC with Meta's Facebook platform to help users mitigate invalid and fraudulent advertising traffic, and has now started a new channel offering of Social Verification for Meta, with commercialisation planned for later this calendar year.

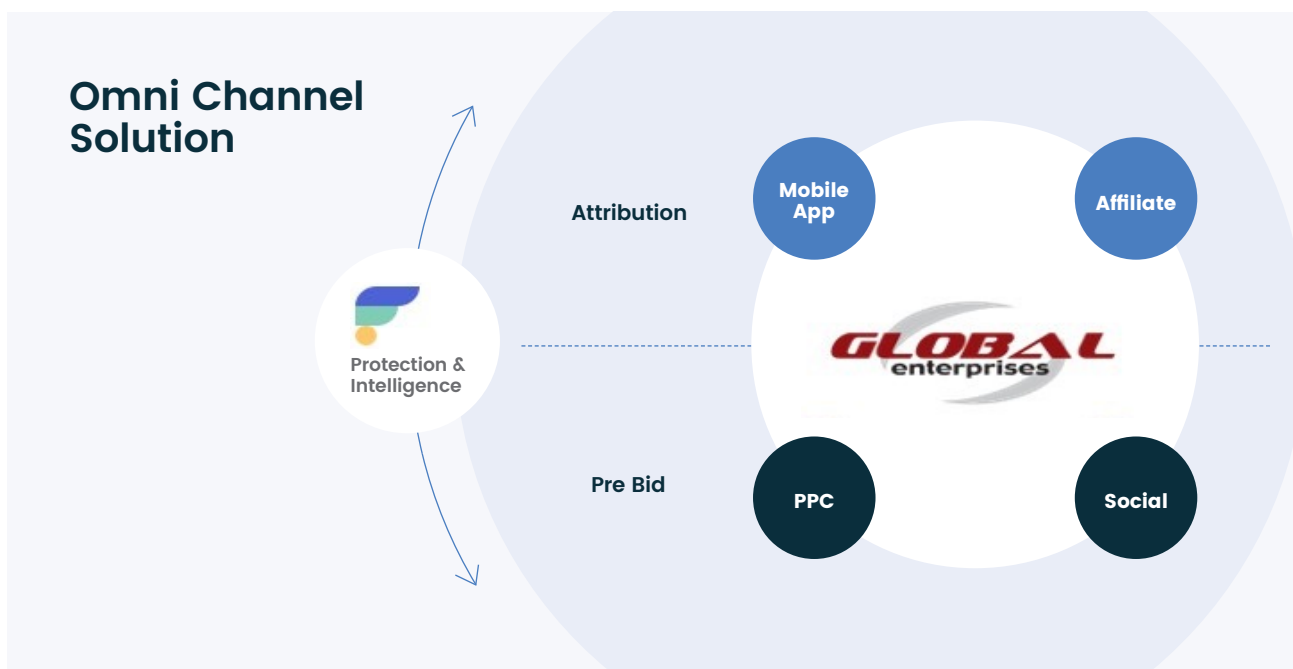
Increasing pace of cross-sell and expansion of services to existing clients

As part of our "land and expand" growth initiative, we continue to demonstrate to our expanding customer base that our additional services further enhance the returns they yield from their digital marketing spend. We anticipate that this will lead to an increase in the revenue we generate from cross selling and upselling our suite of products.

Positive outlook for continued growth

Digital ad-fraud is a serious and ongoing problem for many companies and industries around the world. The rise of interest in our technology is demonstrated by the 145% growth in ARR achieved in FY22 and reflects the value we create through our software.

The execution of TrafficGuard's omni-channel go-to-market strategy through Google Cloud Marketplace and Facebook, opens a range of potential customers globally via two of the world's largest digital platforms.



Our new channels and scaling of our technology platform means that we can further increase our services to help new and existing clients avoid fraudulent traffic, so they can maximise the return on their digital advertising.

We look forward to another strong year of growth for Adveritas, our people, our customers and our shareholders, and thank you for your continued support.

Yours sincerely,

Mathew J. Ratty
Chief Executive Officer

Stephen Belben
Non-Executive Chairman

The directors present their report together with the consolidated financial report of Adveritas Limited (**Adveritas** or **Company**) and its controlled entities (collectively referred to as the **Group**) for the financial year ended 30 June 2022 and the independent auditor's report thereon.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are set out below. Directors were in office for this entire period unless stated otherwise.

MR STEPHEN BELBEN

Non-Executive Chairman

Mr Belben has over 20 years' experience in both executive and non-executive director roles, at a number of public and private companies. This experience follows 9 years as a senior partner at Ernst & Young, specialising in corporate and assurance work in Australia. Whilst at Ernst & Young, Mr Belben was appointed the national partner in charge of one of the firm's largest Industry Group's where he was responsible for the development and servicing of a major client base in that sector in Australia.

Mr Belben is a Chartered Accountant and holds a Bachelor of Accountancy degree and a Bachelor of Commerce Honours degree.

During the last three years, Mr Belben has not served as a director of any other ASX listed company.

MR MATHEW RATTY

Managing Director and Chief Executive Officer

Mr Ratty is an experienced investor focused on Australian and US equity and debt markets. He has extensive experience across capital raising advice, seed investment negotiation, corporate strategy and financial modelling.

He is the co-founder of MC Management Group Pty Ltd, a venture capital firm operating in domestic and international debt and equity markets. At MC Management Group Pty Ltd, which is a substantial shareholder of the Company, Mr Ratty holds the position of Head of Investment and is responsible for negotiating deal structures and asset pricing for companies in the healthcare, financial and technology space.

Prior to this, Mr Ratty was a director and analyst at property development and equity company, Gladstone Bridge.

Mr Ratty holds a Bachelor of Commerce (Property and Finance) with first class honours in finance from Curtin University of Technology.

During the last three years Mr Ratty has not served as a director of any other ASX listed company.

MR RENAUD BESNARD

Non-Executive Director

Mr Besnard is a senior executive responsible for growth and marketing at Unstoppable Domains in San Francisco. Mr Besnard's roles have included Vice President, Growth lab at PayPal, Senior Director of Global Growth and Product Marketing at Twitter, and Director of Marketing for Asia-Pacific (excl. India) at Uber Technologies Inc. Prior to joining Uber, Mr Besnard was a long-standing Google executive, having spent almost 10 years in senior positions in Europe and Asia.

Mr Besnard is very experienced at developing and executing marketing strategies and leading global growth marketing and global product marketing campaigns across consumer and advertiser audiences.

Mr Besnard holds a Bachelor degree in Commerce from ESSCA Business School (France), a Masters in International Business from the University of Manchester (UK) and an MBA from the University of Oxford (UK).

During the last three years, Mr Besnard has not served as a director of any other ASX listed company.

MR MARK MCCONNELL

Non-Executive Director

Mr McConnell is a successful business developer whose skills cover the areas of business strategy, investor relations, capital raising and innovation. He has extensive experience in both listed and unlisted technology companies in Australia and abroad. He co-founded the Citadel Group Limited in 2007, a leading software and technology company that specialises in secure enterprise information management.

Mr McConnell currently serves as the Chief Executive Officer of Citadel Pty Ltd and acts as an advisor to several technology start up companies.

Mr McConnell has a Bachelor of Science, a Graduate Diploma of Employment Relations, a Graduate Diploma of Logistics Management, and a Masters of Business Administration. He is also a Fellow of the Australian Institute of Company Directors (FAICD).

During the last three years, Mr McConnell has served as an executive director of Citadel Group Limited (ASX: CGL) and as a non-executive director of Viva Leisure Limited (ASX: VVA). Citadel Group Limited delisted from the Australian Securities Exchange on 18 December 2020. Mr McConnell resigned as a director of Viva Leisure Limited on 6 November 2020.

MR ANDREW STOTT**Non-Executive Director**

Mr Stott has significant experience in global technology mergers and acquisitions for listed and unlisted companies. He is originally from the UK and worked in London and New York before moving to Singapore in 2012 to open the offices of an international tech-focused law firm. Mr Stott became the Asia managing partner, and regional head of corporate and advised on in excess of US\$20bn in transactions in Asia, Australia, Europe and the USA. Mr Stott established his own advisory firm in early 2018 and has been working as a consultant to Adveritas since August 2018, helping implement its expansion strategy through relationships with internationally based customers and partners.

Mr Stott's advisory firm specialises in the TMT and Fintech sectors and advises companies and investors on their expansion strategies including by way of international M&A, investment deals and strategic joint ventures as well as sector-partnership deals. He has founded/co-founded 4 companies and been part of multiple successful exits as an investor/advisor.

Mr Stott holds an LLB Degree in Law and, prior to establishing his advisory firm, served as the Asia managing partner of a global law firm.

During the last three years, Mr Stott has not served as a director of any other ASX listed company.

INTERESTS IN THE SECURITIES OF THE COMPANY AND RELATED BODIES CORPORATE

As at 30 June 2022 and as of the date of this report, the interests of the directors in the securities of the Company were as follows:

	As at 30 June 2022			As at the date of this report		
	Ordinary shares	Share options	Performance Rights	Ordinary shares	Share options	Performance Rights
S. Belben	810,000	1,250,000	-	810,000	1,250,000	-
M. Ratty	27,460,544	-	10,000,000	27,460,544	-	10,000,000
R. Besnard	-	1,250,000	-	-	1,250,000	-
M. McConnell	70,290,688	1,250,000	-	70,290,688	1,250,000	-
A. Stott	1,100,000	1,250,000	-	1,100,000	1,250,000	-

COMPANY SECRETARY

Ms Susan Park has over 20 years' experience in the corporate finance industry and has extensive experience in Company Secretarial and Non-Executive Director roles on ASX, AIM and TSX listed companies.

Ms Park holds a Bachelor of Commerce degree from the University of Western Australia majoring in Accounting and Finance, is a Member of the Australian Institute of Chartered Accountants, a Fellow of the Financial Services Institute of Australasia and a Member of the Australian Institute of Company Directors. She is also a Fellow of the Institute of Chartered Secretaries and Administrators and Chartered Secretaries Australia.

DIVIDENDS

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

PRINCIPAL ACTIVITIES

The Company's principal activity during the year was the provision of its TrafficGuard® SaaS (software as a service) products. TrafficGuard is the world's first full funnel measurement, verification and fraud prevention solution for digital advertising.

OPERATING AND FINANCIAL REVIEW

SALES MOMENTUM

The Group delivered a strong performance in FY22, increasing revenue by 111% from FY21 to \$2,031,794.

The three main ways that the Group's TrafficGuard products are being sold to increase revenue are:

1. through the direct sales team;
2. via land and expand contracts, where clients can be cross sold additional products; and
3. via channel partners, such as the Google Cloud Marketplace.

Throughout FY22, the global sales team has been successfully executing on the Company's pipeline of potential customers whilst the marketing team has been further increasing awareness of the TrafficGuard products and brand amongst enterprises in key verticals.

Utilising channel partnerships to grow the Group's client base was a key area of focus during FY22. In October 2021, the TrafficGuard Pay Per Click (PPC) product was admitted to the Google Cloud Marketplace. In April 2022, the Company's Google Cloud Marketplace Go-To-Market strategy was launched, driving significant interest from large enterprises which culminated in the first sale via the Google Cloud Marketplace in May 2022.

TrafficGuard's mobile solution, utilised by a number of the Group's Unicorn clients, was also accepted into the Google Cloud Marketplace, following enquires by companies utilising the Marketplace. This ensures that TrafficGuard is able to offer both products (PPC and Mobile app solution) to clients.

Following the early success in driving growth from the Google Cloud channel, the Group has built solutions that detect and prevent invalid traffic in Meta's Facebook platform. Trials are currently being undertaken by enterprise clients. This will provide another key sales channel, given the vast scale of advertising on Meta's Facebook platform by TrafficGuard's existing clients.

INDUSTRY RECOGNITION

The Group's TrafficGuard products have been recognised by the industry throughout FY22. Achievements during the year include:

- TrafficGuard being included in the "Best Tools for PPC Marketers in 2022" list published by one of the most advanced Paid Search solutions, adalysis.com. The main focus of this list is "Functionality and Efficiency" which is a testament to the work done by TrafficGuard team to help marketers around the world optimise the performance of their paid search campaigns.
- TrafficGuard won Mobile Marketing's 2021 award for Most Effective Anti-Fraud Solution. TrafficGuard's full-funnel ad measurement, verification and fraud prevention solution beat tough competition to be announced as the 2021 winner, with judges noting TrafficGuard's holistic approach to fraud mitigation as the differentiating point for the win.
- TrafficGuard was also shortlisted for the following awards:
 - Drum Advertising Awards 2022: Best Anti-Fraud Solution and Best Attribution Solution
 - Umbrella Awards 2021: Marketing Technology company of the year
 - Global Search Award 2022: Best Software Innovation
 - Global Digital Excellence Awards 2022: Best Platform / Technology / Tool
 - Global Digital Excellence Awards 2022: Best Software Innovation Award

CAPITAL RAISED TO ACCELERATE GROWTH

In July 2021, the Group raised \$3,000,000 via a placement of 30,000,000 shares at an issue price of \$0.10 per share (the 7-day VWAP). The placement was supported by Pathfinder Asset Management (New Zealand's leading ethical investment fund) and new and existing sophisticated investors.

In October 2021, the Group raised \$3,593,543 upon the exercise of 35,935,430 listed options with an exercise price of \$0.10. The options had been issued in October 2018 as part of an entitlements issue. The remaining 19,560,679 options that were not exercised, lapsed.

In November 2021, a further \$1,400,000 was raised through the placement of 14,000,000 shares at an issue price of \$0.10 per share to a number of professional high net worth and sophisticated investors.

In April 2022, \$3,000,000 was raised through the issue of convertible notes to strategic, professional and sophisticated investors. The convertible notes offer was supported by long-term major shareholders, who have participated in previous capital raisings, as well as new investors.

The convertible notes have a two-year term, 8% per annum interest, and a conversion price based on 80% of the Company's 90-day VWAP subject to a ceiling price of \$0.17 per share and a floor price of \$0.08 per share. The conversion can only happen at maturity and the Company has the ability to repay the loan at any time.

Funds raised have strengthened the Group's capital position and balance sheet and have been applied to support the acceleration of sales and marketing growth initiatives.

FINANCIAL SUMMARY

	Note	FY 2022 \$	FY 2021 \$
Revenue from software as a service	1	2,031,794	964,110
Grant income	2	74,850	1,280,494
JobKeeper and Cash Flow Booster stimulus income		-	446,850
Fair value gain on convertible loan note derivative	3	914,100	-
Reversal of credit losses: trade debtors	4	197,627	-
Reversal of credit losses: deferred consideration	4	512,399	-
Foreign exchange gains		60,146	-
Sundry income		66,718	40,520
Other income		1,825,840	1,767,864
Employment costs	5	(7,624,308)	(6,030,246)
Server hosting costs	6	(1,640,484)	(2,000,489)
Marketing costs	7	(639,891)	(843,657)
Administration and occupancy costs	8	(815,289)	(681,224)
Compliance and consultancy costs	9	(921,870)	(1,052,639)
Bad debts expense		(97,813)	(3,596)
Finance costs	10	(83,645)	(48,269)
Overheads		(11,823,300)	(10,660,120)
Foreign exchange losses		-	(57,081)
Depreciation		(141,843)	(136,337)
Share based payments (refer to Note 16 to the financial statements)		(980,757)	(859,244)
Other expenses		(1,122,600)	(1,052,662)
Loss before tax		(9,088,266)	(8,980,808)
Income tax benefit / (expense)		5,466	(18,155)
Loss after tax for the Group		(9,082,800)	(8,998,963)

Notes

- The 111% growth in revenue in FY22 reflects the significant traction achieved during the year resulting from the efforts of the direct sales team, the integrated sales and marketing approach and the commencement of a channel partnership with Google Cloud Marketplace.
- Grant income in the current year comprises the Group's Export Market Development Grant of \$74,850 (2021: \$100,000). The Group has not yet received the Research and Development Grant for FY21 (2021: \$1,180,494 was received for FY20).
- During FY22 the Group issued convertible loan notes to the value of \$3,000,000. Included in the loan notes is an embedded derivative which is required to be fair valued through the profit and loss at each reporting date. The fair value gain recognised at 30 June 2022 was \$914,100. Refer to Note 13 of the financial statements for further details.
- During FY22, the Group reached a settlement agreement with Mpire Network Inc and ClearPier Inc regarding the balances owing to the Group following the sale of Mpire Network Inc on 31 July 2018. The allowance for expected credit losses recognised in a prior year in relation to trade receivables and the deferred consideration receivable have been reversed as amounts have been received from ClearPier Inc.
- The higher employment costs in FY22 are largely due to the expansion of the Group's global sales and marketing team.
- The lower server hosting costs in FY22 are mainly due to the migration from Amazon Web Services to Google Cloud Platform having been completed in FY21. Additional costs were incurred in FY21 as part of the migration process.

FINANCIAL SUMMARY (CONTINUED)

7. Marketing costs were lower in FY22 than in FY21 as a number of marketing initiatives were put on hold until the Chief Marketing Officers was appointed in January 2022.
8. The increase in administration and occupancy costs in FY22 is largely due to increased travel following the easing of COVID restrictions, higher insurance premiums across the business and increased hacker and data security measures being put in place.
9. The decrease in compliance and consultancy fees in FY22 is due to the legal action against Mpire Network Inc and ClearPier Inc being settled in the first half of the financial year.
10. The finance costs are higher in FY22 as a result of the convertible loan notes which incur interest at the rate of 8% per annum.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the Group's state of affairs during the course of the 2022 financial year.

SIGNIFICANT EVENTS AFTER BALANCE DATE

No event has arisen since 30 June 2022 that would be likely to materially affect the operations of the Group, or its state of affairs which has not otherwise been disclosed in this financial report.

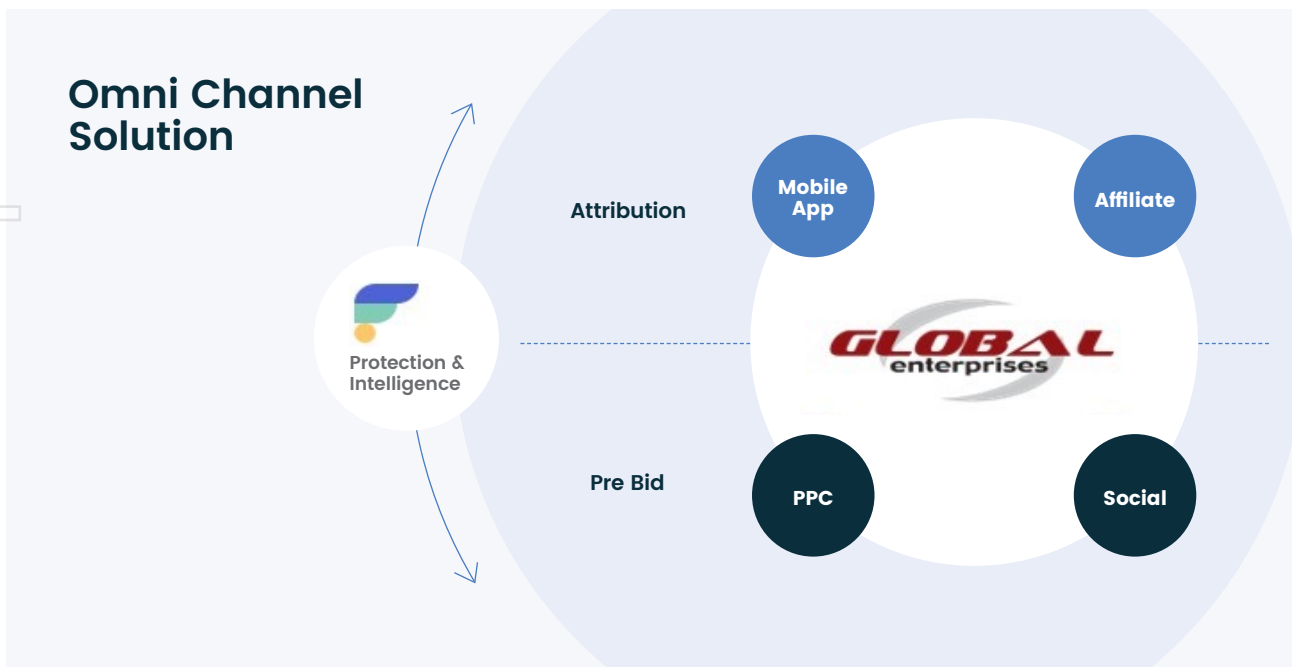
LIKELY DEVELOPMENTS AND EXPECTED FUTURE RESULTS

Annualised revenue from sales contracts in place at the close of FY22 was approximately \$2,500,000, an increase of 145% on FY21.

The Company expects to continue its growth trajectory at or above historical rates, based on the following strong leading indicators:

- Growth in the subscriber base to the Company's Freemium product from approximately 2,700 subscribers in June 2021 to over 4,300 subscribers in June 2022. The Freemium subscriber base provides a paying customer pipeline with significant cross and upsell potential as the Company diversifies the channels in which it operates. During FY23, the Company will focus on an aggressive user acquisitions strategy targeting the SME market aimed at monetising its self-service product line.
- Strong funnel of potential enterprise level clients which has been driven by both direct sales and marketing initiatives, and the Google Cloud Marketplace. This sales funnel is expected to translate to increased trials, conversions and revenue.
- Contracted enterprise clients consuming one of the TrafficGuard offerings are increasingly starting to trial other channels that TrafficGuard offers. This is a key material growth area as a large portion of existing clients are using channels that TrafficGuard can service.

TrafficGuard now offers four products, the first digital ad-fraud company to offer a truly omni-channel digital marketing anti-fraud solution:



For personal use only

LIKELY DEVELOPMENTS AND EXPECTED FUTURE RESULTS (CONTINUED)

Mobile App install verification: This is the Group's flagship product, with enterprise level clients paying significant contract amounts. This product ensures clients are not paying for misattributed or fake installs of their apps.

Google PPC verification: This is scaling quickly since it was first launched in late FY20 and has over 4,000 advertisers that have signed up to the service.

Affiliate Verification: This is designed to mitigate affiliate misattribution and ensure clients are paying for real conversions to their website.

Social Verification: A new channel offering starting with Meta's Facebook. The Group established an early adopter trial program that was fully subscribed within the first week of launch by 10 clients (both new and existing), with additional demand now awaiting a commercial offering.

The intelligence and sophistication of TrafficGuard's current PPC protection has expanded into Facebook to ensure clients using Facebook advertising are mitigating invalid traffic. The Company plans on commercialising its Facebook product to new and existing customers in late Q2 FY23. TrafficGuard's social media anti-fraud offerings allow for significant upsell and cross sell opportunities, which is a key focus for the business.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is not subject to any particular or specific environmental regulation in any of the jurisdictions in which it operates and therefore is not required to present further details in relation to environmental regulation.

SHARE OPTIONS

UNISSUED SHARES

As at 30 June 2022 and the date of this report, there were 6,500,000 unissued ordinary shares under options (30 June 2021: 65,596,109).

Expiry Date	Exercise Price	Number on issue
17 November 2022	\$0.18	1,500,000
3 July 2023	\$0.15	5,000,000
		6,500,000

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

Refer to the remuneration report and Note 16 for further details of the unissued ordinary shares under options.

SHARES ISSUED AS A RESULT OF THE EXERCISE OF OPTIONS

During the financial year, 35,935,430 options were exercised to acquire 35,935,430 ordinary shares (2021: 2,620,000).

PERFORMANCE RIGHTS

UNISSUED SHARES

As at 30 June 2022 there were 20,500,000 unissued ordinary shares under performance rights (30 June 2021: 7,000,000).

Holders of performance rights do not have any right, by virtue of the performance right, to participate in any share issue of the Company or any related body corporate.

Refer to the remuneration report and Note 16 for further details of the performance rights outstanding.

SHARES ISSUED AS A RESULT OF THE CONVERSION OF PERFORMANCE RIGHTS

During the financial year 6,250,000 performance rights were converted into ordinary shares (2021: 9,250,000).

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has agreed to indemnify all the directors of the Company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract insuring the directors and officers of the Company against any liability incurred in the course of their duties 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.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Group has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

DIRECTORS' MEETINGS

The number of meetings of directors held by the Company during the year and the number of meetings attended by each director were as follows:

Number of meetings held	10	
	Number of meetings eligible to attend	Number of meetings attended
S. Belben	10	10
M. Ratty	10	10
R. Besnard	10	8
M. McConnell	10	10
A. Stott	10	9

COMMITTEE MEMBERSHIP

Due to the Company's relatively small size and board structure, separate Remuneration and Audit Committees have not been constituted. The full board of directors assumes responsibility for any such matters as outlined in the Company's corporate governance plan.

NON-AUDIT SERVICES

The following non-audit services were provided by the Group's auditor, Ernst & Young Australia and Ernst & Young Australia received or is due to receive the following amounts for the provision of such services:

	2022 \$	2021 \$
Tax compliance services	115,603	56,975

The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means the auditor's independence was not compromised.

AUDITOR INDEPENDENCE

Section 307C of the Corporations Act 2001 requires the Company's auditors, Ernst & Young Australia, to provide the directors of the Company with an Independence Declaration in relation to the audit of the Financial Report. The directors received the Independence Declaration set out on page 24 for the year ended 30 June 2022.

REMUNERATION REPORT (AUDITED)

This remuneration report for the year ended 30 June 2022 outlines the remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 (Cth), as amended (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report is presented under the following sections:

1. Introduction
2. Remuneration governance
3. Remuneration outcomes
4. Executive contracts
5. Additional disclosures relating to performance rights, options and shares
6. Other transactions and balances with key management personnel and their related parties

1. INTRODUCTION

The remuneration report details the remuneration arrangements for key management personnel (**KMP**) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent entity.

The list below outlines the KMP of the Group during the financial year ended 30 June 2022. Unless otherwise indicated, the individuals were KMP for the entire financial year.

For the purposes of this report, the term "executive" indicates the executive directors and senior executives of the Group.

Non-Executive Directors (NEDs)

- | | |
|--------------|------------------------|
| S. Belben | Non-Executive Chairman |
| R. Besnard | Non-Executive Director |
| M. McConnell | Non-Executive Director |
| A. Stott | Non-Executive Director |

Executive Directors

- | | |
|----------|---|
| M. Ratty | Managing Director and Chief Executive Officer |
|----------|---|

Senior Executives

- | | |
|-----------|---|
| L. Taylor | Chief Operations Officer |
| F. Muir | Chief Financial Officer |
| S. Park | Company Secretary |
| D. Cox | Global Growth Officer (resigned on 6 September 2021) |
| M. Sutton | Global Chief Revenue Officer |
| C. Kinlay | Global Chief Marketing Officer (appointed 4 January 2022) |

2. REMUNERATION GOVERNANCE

2(a) Remuneration Philosophy

The performance of the Group depends upon the quality of the directors and executives. The philosophy of the Group in determining remuneration levels is to:

- set competitive remuneration packages to attract and retain high calibre employees;
- link rewards to shareholder value creation; and
- establish appropriate, demanding performance hurdles for variable executive remuneration.

2(b) Remuneration Committee

The current size of the Group and structure of the board of directors does not warrant a separate remuneration committee. The board of directors as a whole (**Board**) is currently responsible for determining and reviewing compensation arrangements for directors and executives. Directors are excluded from discussions and voting on their own remuneration arrangements.

The Board assesses the appropriateness of the nature and amount of remuneration of directors and executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

REMUNERATION REPORT (AUDITED) (CONTINUED)

2(c) Remuneration Structure: Non-Executive Director Remuneration

Fixed Remuneration

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

The Board seeks to set aggregate remuneration of non-executive directors at a level that provides the Group with the ability to attract and retain high calibre directors, whilst incurring a cost that is acceptable to shareholders.

The ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The aggregate remuneration set pursuant to Adveritas Limited's constitution is \$500,000 per year, which may be varied by shareholders in general meeting.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board does not currently seek external remuneration advice.

Each non-executive director receives a fee for being a director of the Company.

Options

No options were issued to any non-executive director in the current year (2021: 1,250,000 options to each non-executive director).

2(d) Remuneration Structure: Executive Director and Senior Executive Remuneration

(i) Objective

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities so as to:

- Reward executives;
- Align the interests of executives with those of shareholders;
- Link reward with strategic goals and performance of the Group; and
- Ensure total remuneration is competitive by market standards.

(ii) Principles of Compensation

Compensation levels for employees of the Group are competitively set to attract and retain appropriately qualified and experienced senior executives. Executive remuneration and other terms of employment are reviewed annually by the Board having regard to the performance, relevant comparative information and expert advice if required.

(iii) Structure

Remuneration consists of the following key elements:

- Fixed Remuneration (base salary, superannuation and non-monetary benefits);
- Variable Remuneration
 - Short-term incentives
 - Long-term incentives

The Board establishes the proportion of fixed and variable remuneration for each executive.

Fixed Remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. The Board periodically reviews fixed remuneration when extending or otherwise amending the employment contracts of key executives. This review takes into account the overall performance of the executive and of the Group. The Board considers the executive's performance of the specific duties and tasks set out in their employment contracts which were included based on the general nature of the executive's role together with any specific requirements from the Board.

Executives may be given the flexibility to receive their remuneration in a variety of forms including cash and fringe benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group.

Variable Remuneration – short-term incentive

The objective of short-term incentives is to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets. Operational targets are set periodically by the Board and include matters such as the funding of the Company, the timing of technological developments and the implementation of sales and marketing strategies.

From time to time cash bonuses (short-term incentives) are paid where an executive has met a short-term objective of the Group. Such bonuses are paid when specific criteria which are set by the Board are met. These criteria are linked to the operational targets set by the Board. In some instances, cash bonuses are paid when the Board determines that an executive has made contributions that are significant and beyond the normal expectations of their role. In making such determinations, the Board will consider a number of factors including the area of the business that has been impacted by the executive's contributions and the alignment of these contributions to the Group's overall strategy.

For personal use only

REMUNERATION REPORT (AUDITED) (CONTINUED)

2(d) Remuneration Structure: Executive Director and Senior Executive Remuneration (continued)

Variable Remuneration – long-term incentive

Long-term incentives are delivered in the form of options and performance rights.

Performance rights and options are generally issued in accordance with the terms and conditions of the Adveritas Performance Rights and Options Plan (**Plan**) that has been approved by the Company's shareholders.

Pursuant to the listing rules of the Australian Securities Exchange (**Listing Rules**), the Company's shareholders are required to re-approve the Plan and all unallocated securities issuable under it every three years. The Company's current Plan was approved by shareholders at the 2021 AGM.

The key features of the Plan are as follows:

- **Offer:** The Company's board of directors (**Board**) may, from time to time, in its absolute discretion, make a written offer to any Eligible Participant to apply for Awards, upon the terms set out in the Plan and upon such additional terms and conditions as the Board determines.
- **Issue price:** Performance Rights granted under the Plan will be issued for nil cash consideration. Unless the Options are quoted on the Australian Securities Exchange (**ASX**), Options issued under the Plan will be issued for no more than nominal cash consideration.
- **Exercise price:** The Board may determine the Option exercise price in its absolute discretion provided it is not lower than any minimum price specified in the ASX Listing Rules.
- **Vesting conditions:** An Award may be made subject to vesting conditions as determined by the Board in its discretion.
- **Vesting:** The Board may in its absolute discretion (except in respect of a change of control occurring where Vesting Conditions are deemed to be automatically waived) resolve to waive any of the Vesting Conditions applying to Awards due to Special Circumstances (as defined in the Plan) arising in relation to the holders of the Awards.
- **Lapse of an Award:** An Award will lapse upon the earlier of:
 - an unauthorised dealing, or hedging of, the Award occurring;
 - a Vesting Condition in relation to the Award is not satisfied by its due date, or becomes incapable of satisfaction, as determined by the Board in its absolute discretion;
 - in respect of unvested Awards only, a Relevant Person ceases to be an Eligible Participant, unless the Board exercises its discretion to vest the Award or to allow the unvested Awards to remain unvested after the Relevant Person ceases to be an Eligible Participant;
 - in respect of vested Awards only, a Relevant Person ceases to be an Eligible Participant and the Award granted in respect of that Relevant Person is not exercised within a one (1) month period (or such later date as the Board determines) of the date that person ceases to be an Eligible Participant;
 - the Board deems that an Award lapses due to fraud, dishonesty or other improper behaviour of the Eligible Participant;
 - the Company undergoes a change of control or a winding up resolution or order is made and the Board does not exercise its discretion to vest the Award; and
 - the expiry date of the Award.
- **Not transferrable:** Subject to the Listing Rules, Awards are only transferrable in Special Circumstances with the prior written consent of the Board (which may be withheld in its absolute discretion) or by force of law upon death, to the Participant's legal personal representative or upon bankruptcy to the participant's trustee in bankruptcy.
- **Sale restrictions:** The Board may, in its discretion, determine at any time up until exercise of Awards, that a restriction period will apply to some or all of the Shares issued to a Participant on exercise of those Awards (Restriction Period). In addition, the Board may, in its sole discretion, having regard to the circumstances at the time, waive any such Restriction Period.
- **No participation rights:** There are no participation rights or entitlements inherent in the Awards and Participants will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Awards without exercising the Award.
- **Reorganisation:** If, at any time, the issued capital of the Company is reorganised (including consolidation, subdivision, reduction or return), all rights of a Participant are to be changed in a manner consistent with the Corporations Act and the Listing Rules at the time of the reorganisation.
- **Amendments:** Subject to express restrictions set out in the Plan and complying with the Corporations Act, Listing Rules and any other applicable law, the Board may, at any time, by resolution amend or add to all or any of the provisions of the Plan, or the terms or conditions of any Award granted under the Plan including giving any amendment retrospective effect.

REMUNERATION REPORT (AUDITED) (CONTINUED)

2(d) *Remuneration Structure: Executive Director and Senior Executive Remuneration (continued)*

Variable Remuneration – long-term incentive (continued)

In the event that an offer of an Award to an executive will result in the maximum Awards allowed under the Plan being exceeded, the offer will not be covered by ASIC Class Order 14/1000 and the Company will be required to address the secondary sale requirements of any shares issued upon exercise of the Award. This includes the Company lodging a cleansing notice under Section 708A(5) of the Corporations Act 2001 (Cth) or a prospectus under Section 708A(11) of the same Act.

During the current year, 20,500,000 performance rights were granted to executives (2021: 9,000,000). There were no options awarded to executives in the current year (2021: nil).

The vesting conditions of performance rights awarded to executives is determined so as to ensure that the performance rights only have value if there is an increase in shareholder wealth over time.

2(e) *Remuneration Report Approval at 2021 Annual General Meeting*

The remuneration report of Adveritas Limited for the year ended 30 June 2021 was approved by shareholders at the 2021 AGM.

For personal use only

REMUNERATION REPORT (AUDITED) (CONTINUED)

3. REMUNERATION OUTCOMES

Remuneration of Key Management Personnel

During FY20, in response to the global COVID-19 pandemic, Non-Executive Director fees were reduced to nil, the salary of Mr Ratty was reduced by 50% and the salaries of senior executives employed by the Company were reduced by 30%. These voluntary reductions came to an end on 31 July 2020 which falls within the comparative period set out below.

		Short-term benefits		Post-employment	Long-term benefits	Share-based payments		Total \$	Performance related %
		Salary, fees & annual leave entitlements \$	Commission / Bonus \$	Super \$	Long service leave \$	Performance Rights \$	Options \$		
Non-Executive Directors									
S. Belben ²	2022	60,165	-	6,008	-	-	-	66,173	-
	2021	54,923	-	5,218	-	-	72,288	132,429	-
R. Besnard ²	2022	43,800	-	-	-	-	-	43,800	-
	2021	40,150	-	-	-	-	72,288	112,438	-
M. McConnell ²	2022	40,110	-	4,005	-	-	-	44,115	-
	2021	36,615	-	3,478	-	-	72,289	112,382	-
A. Stott ²	2022	43,800	-	-	-	-	-	43,800	-
	2021	40,150	-	-	-	-	72,289	112,439	-
Executive Directors									
M. Ratty ^{1,2}	2022	313,077	-	23,607	5,758	363,890	-	706,332	52
	2021	300,527	48,333	21,245	4,334	95,776	-	470,215	31
Total Directors	2022	500,952	-	33,620	5,758	363,890	-	904,220	40
	2021	472,365	48,333	29,941	4,334	95,776	289,154	939,903	46
Senior Executives									
L. Taylor ^{2,7}	2022	278,738	-	23,605	5,696	344,539	-	652,578	53
	2021	276,386	-	21,041	5,362	(47,140)	-	255,649	-
F. Muir ²	2022	150,471	-	15,020	-	54,786	-	220,277	25
	2021	107,557	-	10,218	-	-	-	117,775	-
S. Park ³	2022	56,040	-	-	-	-	-	56,040	-
	2021	60,530	-	-	-	-	-	60,530	-
D. Cox ^{2,4,8}	2022	83,858	4,995	6,515	-	(113,037)	-	(17,669)	-
	2021	235,602	34,670	21,100	2,066	79,192	-	372,630	31
J. Linden ⁵	2022	-	-	-	-	-	-	-	-
	2021	217,437	3,311	-	-	-	-	220,748	2
M. Sutton ^{2,6}	2022	449,710	113,713	-	-	94,421	-	657,844	32
	2021	218,379	2,677	-	-	-	-	221,056	1
C. Kinlay ⁹	2022	144,000	-	-	-	-	-	144,000	-
	2021	-	-	-	-	-	-	-	-
Total Senior Executives	2022	1,162,817	118,708	45,140	5,696	380,709	-	1,713,070	30
	2021	1,115,891	40,658	52,359	7,428	32,052	-	1,248,388	6
Total	2022	1,663,769	118,708	78,760	11,454	744,599	-	2,617,290	33
	2021	1,588,256	88,991	82,300	11,762	127,828	289,154	2,188,291	23

REMUNERATION REPORT (AUDITED) (CONTINUED)

3. REMUNERATION OUTCOMES (CONTINUED)

Notes

1. The bonus paid to Mr Ratty in prior year related to the Company achieving a targeted share price.
2. Refer to section 5 below and Note 16 for further information on the vesting conditions attached to the options and performance rights granted.
3. Ms Park provides company secretarial services through Park Advisory Pty Ltd (formerly Hunter Corporate Pty Ltd), an entity controlled by her.
4. Mr Cox resigned on 6 September 2021
5. Mr Linden resigned 30 June 2021.
6. Mr Sutton commenced employment on 4 January 2021.
7. The net credit amount reflected in the prior year for Mr Taylor's performance rights is due to the lapsing of a number of performance rights during that year.
8. The net credit amount reflected in the current year for Mr Cox's performance rights is due to the lapsing of performance rights on his resignation.
9. Mr Kinlay was appointed as global Chief Marketing Officer with effect from 4 January 2022.

4. EXECUTIVE CONTRACTS

Remuneration arrangements for executives are formalised in their employment agreements. The following outlines the details of the contracts with executives:

Mathew Ratty, Managing Director and Chief Executive Officer

Mr Ratty's current employment agreement commenced on 9 November 2018 (Mr Ratty held the position of Interim CEO up to this date). The term of Mr Ratty's contract will come to an end on 30 June 2023.

Details

• **Remuneration:**

- Annual base salary – Mr Ratty's annual base salary is \$290,000 (plus statutory superannuation).
- Performance related bonuses – short term incentive: at the Board's discretion, a cash bonus may be paid to Mr Ratty in relation to the successful completion of various milestones periodically set by the Board. The cash bonus is not to exceed 50% of the annual salary in the financial year the bonus is earned.
- Performance related bonuses – long term incentive: the following performance rights are held by Mr Ratty:

Milestones to be achieved	Date by which milestone is to be achieved	Quantum of performance rights to vest upon achievement of milestone
Achieve annualised revenue of US\$5 million from customer contracts *	31 March 2023	8,000,000
Achieve annualised revenue over US\$7 million from customer contracts	31 March 2023	2,000,000

* a pro-rata number of performance rights vest in the event that annualised revenue from customer contracts at 31 March 2023 amounts to at least US\$3.5 million.

• **Termination:**

The agreement may be terminated:

- by the Company without cause by giving twelve months' notice, or immediately with payment in lieu of notice;
- by the Company giving one months' notice if Mr Ratty is unable to perform his duties due to illness, accident or incapacitation, for six consecutive months or a period aggregating more than six months in any twelve-month period; or
- by the Company immediately without notice following material breach or in the case of misconduct; or
- by Mr Ratty without cause by giving three months' notice or immediately if the Company commits any serious or persistent breach of the agreement.

• **Other:**

The agreement includes other general industry standard provisions for a senior executive.

For personal use only

REMUNERATION REPORT (AUDITED) (CONTINUED)

4. EXECUTIVE CONTRACTS (CONTINUED)

Luke Taylor, Chief Operations Officer

Mr Taylor's current employment agreement commenced on 20 August 2018 (Mr Taylor held the position of Chief Technology Officer up to this date). The term of Mr Taylor's contract will come to an end on 30 June 2023.

Details

• Remuneration:

- Annual base salary of \$275,000 (plus statutory superannuation)
- Performance related bonuses – short term incentive: a cash bonus may be paid at any time during the term of the agreement conditional upon the achievement of key performance indicators set by the Chief Executive Officer. The cash bonus is not to exceed 25% of the annual salary in the financial year the bonus is earned
- Performance related bonuses – long term incentive: the following performance rights are held by Mr Taylor:

Milestones to be achieved	Date by which milestone is to be achieved	Quantum of performance rights to vest upon achievement of milestone
Achieve annualised revenue of US\$5 million from customer contracts *	31 March 2023	6,000,000
Achieve annualised revenue over US\$7 million from customer contracts	31 March 2023	1,500,000

* a pro-rata number of performance rights vest in the event that annualised revenue from customer contracts at 31 March 2023 amounts to at least US\$3.5 million.

• Termination:

The agreement may be terminated:

- by the Company without cause by giving six months' notice, or immediately with payment in lieu of notice;
- by the Company giving one months' notice if Mr Taylor is unable to perform his duties due to illness, accident or incapacitation, for six consecutive months or a period aggregating more than six months in any twelve-month period; or
- by the Company immediately without notice following material breach or in the case of misconduct; or
- by Mr Taylor without cause by giving three months' notice or immediately if the Company commits any serious or persistent breach of the agreement.

• Other:

The agreement includes other general industry standard provisions for a senior executive.

Matthew Sutton, Global Chief Revenue Officer

Mr Sutton's employment agreement commenced on 4 January 2021 and has no fixed term.

Details

• Remuneration:

- Annual base salary of SGD\$420,000 and a sign on bonus comprising the issue of 250,000 shares in the Company. As at 30 June 2022, the sign on bonus shares had not been issued to Mr Sutton.
- Commission of 7% on revenue from contracts entered into as a result of the sales efforts of Mr Sutton or his sales team.
- Performance related bonuses – long term incentive: the following performance rights are held by Mr Sutton:

Milestones to be achieved	Date by which milestone is to be achieved	Quantum of performance rights to vest upon achievement of milestone
Achieve annualised revenue of US\$5 million from customer contracts *	31 March 2023	2,000,000

* a pro-rata number of performance rights vest in the event that annualised revenue from customer contracts at 31 March 2023 amounts to at least US\$3 million.

REMUNERATION REPORT (AUDITED) (CONTINUED)

4. EXECUTIVE CONTRACTS (CONTINUED)

- **Termination:**

The agreement may be terminated:

- by the Company without cause by giving three months' notice, or immediately with payment in lieu of notice;
- by the Company giving one months' notice if Mr Sutton is unable to perform his duties due to illness, accident or incapacitation, for two consecutive months or a period aggregating more than two months in any twelve-month period; or
- by the Company immediately without notice following material breach or in the case of misconduct; or
- by Mr Sutton without cause by giving three months' notice or at any time if the Company commits any serious or persistent breach which is not remedied within twenty eight days.

- **Other:**

The agreement includes other general industry standard provisions for a senior executive.

Chad Kinlay, Global Chief Marketing Officer (appointed on 4 January 2022)

Mr Kinlay commenced the role of Global Chief Marketing Officer on 4 January 2022. Mr Kinlay performs this role via a consultancy agreement which has no fixed term.

Key terms of the consultancy agreement:

- Fee: a monthly fee of SGD24,000 is payable to Mr Kinlay together with any out of pocket expenses.
- Termination: The agreement may be terminated by the Company or Mr Kinlay by giving one months' notice.

David Cox, Global Growth Officer (resigned on 6 September 2021)

Mr Cox's employment agreement commenced on 19 November 2018 and came to an end on 6 September 2021. Mr Cox held the position of Global Growth Officer at the time of his resignation.

Details

- **Remuneration:**

- Annual base salary of \$230,000 plus statutory superannuation.
- A maximum commission of 10% of revenue earned from new clients engaged by Mr Cox after 13 July 2020.

- **Long term incentives:**

On 11 September 2019, Mr Cox's employment agreement was varied such that if Mr Cox achieved the milestones listed below within 24 months of the variation, he would be offered the following options with the exercise price being based on the 5-day VWAP at the time of the offer.

Milestones	Quantum of unlisted options upon achievement of milestone
Upon achievement of annualised contract revenue of US\$3 million	1,000,000
Upon achievement of annualised contract revenue of US\$5 million	1,000,000
Upon achievement of annualised contract revenue of US\$7 million	1,000,000
Upon achievement of annualised contract revenue of US\$10 million	1,000,000
Upon achievement of annualised contract revenue of US\$15 million	1,000,000
	5,000,000

At the time of Mr Cox's resignation, none of the milestones had been achieved.

On 26 February 2020, Mr Cox was awarded 750,000 performance rights with a vesting date 2 years from issue date. The options had not vested at the time of Mr Cox's resignation and consequently lapsed.

For personal use only

REMUNERATION REPORT (AUDITED) (CONTINUED)

4. EXECUTIVE CONTRACTS (CONTINUED)

Fiona Muir, Chief Financial Officer

Ms Muir's employment agreement commenced on 25 June 2018 and has no fixed term.

Details

• Remuneration:

- Ms Muir fulfils the role of Chief Financial Officer on a part time basis and is remunerated pro-rata based on an annual base salary of \$248,000 plus statutory superannuation.
- Long term incentive:

The following performance rights are held by Ms Muir:

Milestones to be achieved	Date by which milestone is to be achieved	Quantum of performance rights to vest upon achievement of milestone
Achieve annualised revenue of US\$5 million from customer contracts *	31 March 2023	1,000,000

* a pro-rata number of performance rights vest in the event that annualised revenue from customer contracts at 31 March 2023 amounts to at least US\$3.5 million.

• Termination:

The agreement may be terminated:

- by Ms Muir with one months' notice, unless the Company is in breach of a material term of the agreement, in which case Ms Muir may terminate it immediately;
- by the Company with one months' notice or payment in lieu of notice;
- by the Company immediately without notice following material breach or in the case of misconduct

• Other:

The agreement includes other general industry standard provisions for a senior executive.

Susan Park, Company Secretary

Ms Park provides company secretarial services through Park Advisory Pty Ltd (formally Hunter Corporate Pty Ltd). The agreement with Park Advisory Pty Ltd commenced on 24 September 2017 and has no fixed term.

Details

- The Company pays a monthly fee together with any out of pocket expenses. The monthly retainer is based on standard market rates. In the event assistance is required outside of the normal company secretarial role, the Company is charged an additional fee based on the hours worked by Ms Park.
- The agreement may be terminated by the Company or Park Advisory Pty Ltd by giving two months' notice.

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

5. ADDITIONAL DISCLOSURES RELATING TO PERFORMANCE RIGHTS, OPTIONS AND SHARES

Performance Rights

Performance rights do not carry any voting or dividend rights and can only be converted into ordinary shares up until their expiry date, provided the vesting conditions have been met. Vesting conditions include a performance milestone to be achieved by a specific date and the requirement that the Executive remains employed by the Group at the time the performance milestone is achieved.

The tables below disclose the movement in performance rights held by key management personnel during the current and prior year. There is a nil exercise price payable on the conversion of performance rights into ordinary shares.

REMUNERATION REPORT (AUDITED) (CONTINUED)

5. ADDITIONAL DISCLOSURES RELATING TO PERFORMANCE RIGHTS, OPTIONS AND SHARES (CONTINUED)

	Number of performance rights					
	Opening balance	Granted during the year	Vested during the year	Converted into ordinary shares during the year	Lapsed during the year	Closing balance (not yet vested)
2022						
Executive directors						
M. Ratty	1,000,000	10,000,000	1,000,000	1,000,000	-	10,000,000
Executives						
L. Taylor	1,000,000	7,500,000	1,000,000	1,000,000	-	7,500,000
D. Cox	750,000	-	-	-	750,000	-
M. Sutton	-	2,000,000	-	-	-	2,000,000
F. Muir	-	1,000,000	-	-	-	1,000,000

	Number of performance rights					
	Opening balance	Granted during the year	Vested during the year	Converted into ordinary shares during the year	Lapsed during the year	Closing balance (not yet vested)
2021						
Executive directors						
M. Ratty	11,250,000	4,500,000	3,500,000	4,750,000	10,000,000	1,000,000
Executives						
L. Taylor	9,600,000	4,500,000	3,500,000	4,500,000	8,600,000	1,000,000
D. Cox	750,000	-	-	-	-	750,000

The tables below disclose the fair values of performance rights granted to key management personnel during the current and prior year.

	2022			2021		
	Grant date	Number granted (Class U)	Fair value per performance right at grant date (cents)	Grant date	Number granted (Class T)	Fair value per performance right at grant date (cents)
Class U						
M Ratty	23/11/2021	10,000,000	0.13	11/09/2020	4,500,000	0.11
L Taylor	02/12/2021	7,500,000	0.18	05/07/2020	4,500,000	0.08
M Sutton	30/11/2021	2,000,000	0.18	n/a	-	n/a
F Muir	02/12/2021	1,000,000	0.18	n/a	-	n/a

For personal use only

REMUNERATION REPORT (AUDITED) (CONTINUED)

5. ADDITIONAL DISCLOSURES RELATING TO PERFORMANCE RIGHTS, OPTIONS AND SHARES (CONTINUED)

Performance Rights (continued)

Details of the vesting conditions, expiry dates and status of the performance rights held by key management personnel on 30 June 2022 are set out below:

Tranche	Vesting Condition	Number	Expiry date	Status at 30 June 2022
Class U	Annualised revenue of US\$5 million is achieved by 31 March 2023	17,000,000	31/03/2023	Not yet vested
Class U	Annualised revenue over US\$7 million is achieved by 31 March 2023	3,500,000	31/03/2023	Not yet vested

Options awarded, vested and lapsed during the year

Share options do not carry any voting or dividend rights, and can only be exercised once the vesting conditions, if any, have been met, and only until the expiry date.

No options were awarded to key management personnel during the current year (2021: 5,000,000). 3,000,000 options held by key management personnel expired during the current year (2021: 500,000). The options that expired during the current year were granted on 26 June 2019 and had an exercise price of \$0.20. The 500,000 options held by key management personnel that expired in the prior year were granted on 26 October 2017 and had an exercise price of \$0.45.

Options exercised during the year

During the current year, key management personnel exercised some or all of the listed options they acquired through their participation as shareholders in an entitlements issue carried out in October 2018. Key management personnel did not exercise any options during the current year that they had acquired as remuneration in their key management roles.

The table below discloses the number of share options that were exercised by key management personnel during the prior year.

	Options exercised during the year	Grant date	Fair value per option at grant date	Vesting date	Exercise price	Expiry date	Value of options exercised during year
Non-Executive Directors							
A. Stott ¹	600,000	17/12/2018	\$0.06	24/12/2018	\$0.15	24/12/2020	\$33,345
Senior Executives							
D. Cox	750,000	17/12/2018	\$0.06	24/12/2019	\$0.15	24/12/2020	\$41,682
F. Muir	500,000	17/12/2018	\$0.06	24/12/2019	\$0.15	24/12/2020	\$27,788

Notes

¹ The options granted to Mr Stott vested on issue, which occurred on 24 December 2018.

REMUNERATION REPORT (AUDITED) (CONTINUED)

5. ADDITIONAL DISCLOSURES RELATING TO PERFORMANCE RIGHTS, OPTIONS AND SHARES (CONTINUED)

Option holdings of KMP

The table below discloses all options held directly, indirectly and beneficially by key management personnel.

	Balance at 1 July 2021	Granted as remuneration	Lapsed	Exercised	Balance at 30 June 2022	Exercisable	Not exercisable
Non-Executive Directors							
S. Belben	2,090,000	-	(750,000)	(90,000)	1,250,000	1,250,000	-
R. Besnard	2,000,000	-	(750,000)	-	1,250,000	1,250,000	-
M. McConnell	11,532,778	-	(750,000)	(9,532,778)	1,250,000	1,250,000	-
A. Stott	2,000,000	-	(750,000)	-	1,250,000	1,250,000	-
Executive Directors							
M. Ratty	3,999,092	-	(249,092)	(3,750,000)	-	-	-
Total	21,621,870	-	(3,249,092)	13,372,778	5,000,000	5,000,000	-

Share holdings of KMP

The table below discloses the shares held directly, indirectly and beneficially by key management personnel.

	Balance at 1 July 2021	Granted as remuneration	On conversion of performance rights	On exercise of options	Net change other	Balance at 30 June 2022
Non-Executive Director						
S. Belben	720,000	-	-	90,000	-	810,000
M. McConnell	60,757,910	-	-	9,532,778	-	70,290,688
A. Stott	1,100,000	-	-	-	-	1,100,000
Executive Directors						
M. Ratty	22,710,544	-	1,000,000	3,750,000	-	27,460,544
Senior Executives						
L. Taylor	9,703,782	-	1,000,000	-	-	10,703,782
D. Cox ¹	750,000	-	-	-	(750,000)	-
F. Muir	500,000	-	-	-	-	500,000
Total	96,242,236	-	2,000,000	13,372,778	(750,000)	110,865,014

Notes

¹ Mr Cox held 750,000 shares at the time of his resignation on 6 September 2021.

REMUNERATION REPORT (AUDITED) (CONTINUED)**6. OTHER TRANSACTIONS AND BALANCES WITH KEY MANAGEMENT PERSONNEL AND THEIR RELATED PARTIES**

During the current year, Adveritas Limited continued its consultancy agreement with 13811 Advisory Pte Ltd, a company of which Mr Stott is the CEO and founder. The consultancy services include the provision of promotion and marketing services. Under the agreement, Mr Stott was entitled to consultancy fees of \$5,000 per month. These fees are in addition to the salary and fees disclosed in section 3 of this report. At 30 June 2022, an amount of \$5,000 was owing to 13811 Advisory Pte Ltd (2021: \$5,000).

During the prior year, Adveritas Limited entered into an agreement with Almonte Advisory Inc, a company of which Mr Besnard is the CEO and founder. The consultancy services include assisting the Company with its marketing execution and supporting the Company's business and product strategy. Under the agreement, Mr Besnard was paid USD \$2,800 during the current year (2021: USD \$48,300). These fees are in addition to the salary and fees disclosed in section 3 of this report.

Signed in accordance with a resolution of the directors:



Mathew Ratty

Managing Director and Chief Executive Officer

Perth, Western Australia

Dated this 31st day of August 2022



Building a better
working world

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Auditor's Independence Declaration to the Directors of Adveritas Limited

As lead auditor for the audit of the financial report of Adveritas Limited for the financial year ended 30 June 2022, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
- b) no contraventions of any applicable code of professional conduct in relation to the audit; and
- c) no non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Adveritas Limited and the entities it controlled during the financial year.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Mark Cunningham'.

Mark Cunningham
Partner
31 August 2022

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

For personal use only

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2022

	Note	2022 \$	2021 \$
Revenue from contracts with customers	4	2,031,794	964,110
Interest income		4,385	10,856
Other income	5(a)	1,821,455	1,757,008
Overheads			
Server hosting costs		(1,640,484)	(2,000,489)
Administration costs	5(b)	(689,790)	(607,483)
Compliance costs	5(c)	(372,186)	(315,144)
Consultancy costs	5(d)	(549,684)	(737,495)
Employment costs	5(e)	(7,624,308)	(6,030,246)
Occupancy costs		(125,499)	(73,741)
Marketing costs	5(f)	(639,891)	(843,657)
Expected credit losses and bad debts expense	5(g)	(97,813)	(3,596)
Finance costs	5(h)	(83,645)	(48,269)
		(11,823,300)	(10,660,120)
Other Expenses			
Foreign exchange losses		-	(57,081)
Depreciation	5(i)	(141,843)	(136,337)
Share based payments	16	(980,757)	(859,244)
		(1,122,600)	(1,052,662)
Loss before income tax		(9,088,266)	(8,980,808)
Income tax benefit / (expense)	6	5,466	(18,155)
Loss for the year attributable to the members of Adveritas Limited		(9,082,800)	(8,998,963)
Other comprehensive income net of tax			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		(7,512)	(1,774)
Total comprehensive loss for the year attributable to the members of Adveritas Limited		(9,090,312)	(9,000,737)
Loss per share attributable to members of Adveritas Limited			
		Cents	Cents
Basic loss per share	22	(2.14)	(2.60)
Diluted loss per share	22	(2.14)	(2.60)

The Consolidated Statement of Profit and Loss and Other Comprehensive Income is to be read in conjunction with the notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2022

	Note	2022 \$	2021 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	5,050,516	3,231,414
Trade and other receivables	8	511,961	343,094
Prepayments		238,564	192,746
TOTAL CURRENT ASSETS		5,801,041	3,767,254
NON-CURRENT ASSETS			
Plant and equipment	9	95,735	44,914
Right-of-use assets	10	404,215	505,268
Convertible loan note derivative	13	828,000	-
TOTAL NON-CURRENT ASSETS		1,327,950	550,182
TOTAL ASSETS		7,128,991	4,317,436
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	1,349,740	1,327,471
Income tax payable	6	-	13,446
Provisions	12	607,672	539,696
Lease liabilities	10	116,554	103,110
TOTAL CURRENT LIABILITIES		2,073,966	1,983,723
NON-CURRENT LIABILITIES			
Provisions	12	68,841	62,560
Lease liabilities	10	369,817	468,950
Convertible loan note liability	13	2,955,982	-
TOTAL NON-CURRENT LIABILITIES		3,394,640	531,510
TOTAL LIABILITIES		5,468,606	2,515,233
NET ASSETS		1,660,385	1,802,203
EQUITY			
Contributed equity	14	52,169,702	43,237,080
Accumulated losses	17	(55,651,382)	(46,568,582)
Share based payment reserve	15	5,110,814	5,094,942
Foreign currency translation reserve	15	31,251	38,763
TOTAL EQUITY		1,660,385	1,802,203

The Consolidated Statement of Financial Position is to be read in conjunction with the notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2022

	Note	2022 \$	2021 \$
Cash flows from operating activities			
Receipts from customers		2,165,341	946,013
Payments to suppliers and employees		(11,719,034)	(10,065,938)
Research and development grant income received	5(a)	-	1,180,494
Other income received		137,809	71,514
Interest received		3,943	11,619
Interest expense on lease liabilities	10	(41,563)	(48,269)
Net cash flows used in operating activities	7	(9,453,504)	(7,264,567)
Cash flows from investing activities			
Purchase of plant and equipment		(92,079)	(43,493)
Proceeds on disposal of plant and equipment		1,585	1,292
Deposit on leases property		(2,982)	-
Deferred consideration received on disposal of controlled entity		444,586	-
Net cash flows generated by / (used in) investing activities		351,110	(42,201)
Cash flows from financing activities			
Proceeds from issue of shares		7,993,543	2,393,000
Proceeds from issue of convertible notes		3,000,000	-
Share issue costs paid		(25,806)	(59,116)
Lease liability payments	10	(85,689)	(76,215)
Net cash flows provided by financing activities		10,882,048	2,257,669
Net increase / (decrease) in cash and cash equivalents		1,779,654	(5,049,099)
Cash and cash equivalents at the beginning of the year		3,231,414	8,351,840
Effects of exchange rate changes on cash and cash equivalents		39,448	(71,327)
Cash and cash equivalents at the end of the year	7	5,050,516	3,231,414

The Consolidated Statement of Cash Flows is to be read in conjunction with the notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2022

	Contributed equity \$	Accumulated losses \$	Share based payments reserve \$	Foreign currency translation reserve \$	Total equity \$
Balance at 1 July 2021	43,237,080	(46,568,582)	5,094,942	38,763	1,802,203
Loss for the year	-	(9,082,800)	-	-	(9,082,800)
<i>Other comprehensive expenditure</i>	-	-	-	-	-
Foreign exchange differences arising on translation of foreign operations	-	-	-	(7,512)	(7,512)
Total comprehensive expenditure for the year	-	(9,082,800)	-	(7,512)	(9,090,312)
Transactions with equity holders in their capacity as owners					
Ordinary shares issued	4,400,000	-	-	-	4,400,000
Share issue costs	(25,806)	-	-	-	(25,806)
Shares issued on conversion of performance rights	964,885	-	(964,885)	-	-
Shares issued on conversion of options	3,593,543	-	-	-	3,593,543
Share based payments expense	-	-	980,757	-	980,757
	8,932,622	-	15,872	-	8,948,494
Balance at 30 June 2022	52,169,702	(55,651,382)	5,110,814	31,251	1,660,385
Balance at 1 July 2020					
Loss for the year	-	(8,998,963)	-	-	(8,998,963)
<i>Other comprehensive expenditure</i>	-	-	-	-	-
Foreign exchange differences arising on translation of foreign operations	-	-	-	(1,774)	(1,774)
Total comprehensive expenditure for the year	-	(8,998,963)	-	(1,774)	(9,000,737)
Transactions with equity holders in their capacity as owners					
Ordinary shares issued	2,393,000	-	-	-	2,393,000
Share issue costs	(28,441)	-	-	-	(28,441)
Shares issued on conversion of performance rights	930,837	-	(930,837)	-	-
Share based payments expense	-	-	859,244	-	859,244
	3,295,396	-	(71,593)	-	3,223,803
Balance at 30 June 2021	43,237,080	(46,568,582)	5,094,942	38,763	1,802,203

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to the consolidated financial statements.

1. CORPORATE INFORMATION

The consolidated financial report of Adveritas Limited (**Adveritas** or **Company**) and its controlled entities (collectively referred to as the **Group**) for the year ended 30 June 2022 was authorised for issue in accordance with a resolution of the directors on 31 August 2022.

Adveritas is a for-profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The Group's registered office is in Bentley, Western Australia.

The nature of operations and principal activities of the Group are the creation of innovative software solutions that leverage big data to drive business performance. TrafficGuard, is the Group's first commercially available software as a service.

Information on the Group's corporate structure and related party relationships is provided in Note 20.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a summary of the significant accounting policies adopted in the preparation of this consolidated financial report. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of Preparation

The consolidated financial report is a general-purpose financial report which has been prepared on a historical cost basis and is presented in Australian dollars.

(b) Statement of Compliance

The consolidated financial statements have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board and comply with the International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**).

(c) Changes in accounting policies, disclosures, standards and interpretations

i. Accounting Standards and Interpretations issued but not yet adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ended 30 June 2022 are outlined below.

Amendments to IAS1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments will be applied retrospectively.

Application date of standard: 1 January 2023 **Application date for the Group:** 1 July 2023

Impact on the Consolidated Financial Statements: The Group does not anticipate any impact on its consolidated financial statements.

Amendments to AASB: Definition of Accounting Estimates

An accounting policy may require items in the financial statements to be measured using information that is either directly observable, or estimated. Accounting estimates use inputs and measurement techniques that require judgements and assumptions based on the latest available, reliable information.

The amendments to AASB 108 clarify the definition of an accounting estimate, making it easier to differentiate it from an accounting policy. The distinction is necessary as their treatment and disclosure requirements are different. Critically, a change in an accounting estimate is applied prospectively whereas a change in an accounting policy is generally applied retrospectively.

The new definition provides that 'Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty.' The amendments explain that a change in an input or a measurement technique used to develop an accounting estimate is considered a change in an accounting estimate unless it is correcting a prior period error.

Application date of standard: 1 January 2023 **Application date for the Group:** 1 July 2023

Impact on the Consolidated Financial Statements: The Group does not anticipate any impact on its consolidated financial statements.

For personal use only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies, disclosures, standards and interpretations (continued)

ii. *New standards, interpretation and amendments adopted by the Group*

No new standards, interpretations and amendments were adopted by the Group in the current year.

The Group has not early adopted any of the accounting standards that have been issued but are not yet effective as of balance date.

(d) **Basis of Consolidation**

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (**OCI**) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

(e) **Segment Reporting**

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision makers to make decisions about resources to be allocated to the segments and assess their performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues.

Operating segments have been identified based on the information presented to the chief operating decision makers, being the executive management team.

Information about other business activities are combined and disclosed in a separate category called "other".

(f) **Foreign Currency Translation**

i. *Functional and presentation currency*

Items included in the financial statements of each Group company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is the parent's functional and presentation currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

ii. *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Foreign Currency Translation (continued)

iii. Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation purposes are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

(g) Plant and Equipment

All plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the profit or loss during the reporting period in which they are incurred.

Depreciation is calculated over the estimated useful life of the asset as follows:

	Method	Useful Lives
Plant and equipment	Straight Line	1.5 – 2.5 years
Leasehold improvements	Straight Line	the term of the lease
Office equipment	Straight Line	2 – 10 years
Computer equipment	Straight Line	1.5 – 4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(h) Impairment of non-financial assets

Non-financial assets comprise of plant and equipment and goodwill. Non-financial assets other than goodwill are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Goodwill is tested for impairment annually. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value (less costs of disposal) and value in use. For the purposes of assessing impairment, assets are grouped together at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Impairment losses relating to goodwill cannot be reversed in future periods.

(i) Cash and Cash Equivalents

Cash and short-term deposits in the Consolidated Statement of Financial Position comprise cash held in bank accounts, in electronic money accounts, on hand and in short-term deposits with a maturity of three months or less.

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

(j) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the consolidated statement of profit and loss and other comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate,

For personal use only

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Provisions (continued)

the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(k) Revenue from contracts with customers

The Group has been in the business of providing its fraud mitigation software as a service to its customers. Revenue from contracts with customers is recognised over time as the service is delivered to the customer, at an amount that reflects the consideration to which the Group is entitled under the terms of the contract for that service. The Group has concluded that it is the principal in its revenue arrangements because it controls the service before delivering it to the customer.

The Group's performance obligation is the delivery of its software as a service to the customer over the period of time that was agreed upon with the customer. The customer is required to pay the consideration agreed upon in the service contract. The normal credit term is 30 to 60 days upon delivery of the service.

As a practical expedient, the Group does not disclose the transaction price allocated to the remaining performance obligations as it recognises revenue from the customer at the amount that corresponds directly with the value to the customer of the Group's performance completed to date.

Contracts with customers may include a variable consideration in addition to the fixed monthly fee. The variable consideration comprises a fee for each block of transactions that exceeds the transaction allowance included in the fixed monthly fee. The variable consideration is recognised at the point in time when it can be reliably estimated and the constraint applied.

Taxes collected from customers and remitted to government authorities are excluded from revenue.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for services transferred to the customer. If the Group performs by transferring services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). Refer further to the accounting policy on financial assets (Note 2(s)) for details on initial recognition, subsequent measurement and impairment.

Contract liabilities

A contract liability is the obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Cost to obtain a contract

The Group pays sales commission to its employees for pre-determined milestones in relation to sales of its software services. The Group has elected to apply the optional practical expedient for costs to obtain a contract which allows the Group to immediately expense sales commissions because the amortisation period of the asset that the Group otherwise would have used is one year or less.

(l) Government grants

Government grants are recognised as other income where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

(m) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

For personal use only

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Employee Benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. 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 currencies that match, as closely as possible, the estimated future cash outflows.

(o) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of 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 taxation authority is included with other receivables or payables in the consolidated 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 taxation authority, are presented as operating cash flows.

(p) Contributed Equity

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.

(q) Income Tax

Current Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred Tax

Deferred tax is accounted for using the liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company / Group intends to settle its current tax assets and liabilities on a net basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Income Tax (continued)

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the consolidated statement of profit and loss and other comprehensive income except when it relates to items credited or debited directly to equity, in which case the current and deferred tax is also recognised directly in equity.

(r) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(s) Financial Assets

Initial recognition and measurement

Financial assets within the scope of AASB 9 are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The classification of financial assets that are debt instruments at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under AASB 15. Refer to the accounting policy on revenue at Note 2(k).

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. This category includes derivative instruments.

Financial assets at amortised cost

This category is the most relevant category to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade and other receivables.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under AASB 132 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Listed equity instruments that are designated at fair value through OCI are not subject to impairment assessment.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

For personal use only

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Financial Assets (continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Financial assets at amortised cost

For contract assets, trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(t) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or as loans and borrowings, or as payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification. The Group's financial liabilities comprise trade and other payables and convertible loan notes.

Trade and other payables represent liabilities for goods or services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are subsequently measured at amortised cost using the effective interest method and are presented as current liabilities unless payment is not due within 12 months after the reporting period.

Convertible loan notes represent the Company's obligation to either redeem or convert the loan notes into fully paid ordinary shares in the Company. The convertible loan notes automatically convert into fully paid shares at the maturity date of 12 April 2024 but may be redeemed at any time prior to the maturity date. The convertible loan notes are unsecured and bear interest at the rate of 8% per annum which is capitalised on a quarterly basis. Convertible loan notes are subsequently measured at amortised cost using the effective interest method and are presented as non-current

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Financial liabilities (continued)

liabilities as conversion is not due within 12 months after the reporting period.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit and loss and other comprehensive income.

(u) Share-based payments

Consultants and employees (including senior executives) of the Group receive payment or remuneration in the form of share-based payments, whereby the consultants or the employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 16.

The cost of is recognised in the share based payments expense (Note 16), together with a corresponding increase in equity, over the period in which the performance and / or service conditions are fulfilled.

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share based arrangement, or is otherwise beneficial to the recipient, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted loss per share (further details are given in Note 22).

(v) Loss per share

Basic loss per share is calculated as net loss attributable to members of the Company, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares of the Company, adjusted for any bonus element.

Diluted loss per share is calculated as net profit or loss attributable to members of the Company, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

For personal use only

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Significant accounting judgements, estimates and assumptions

The directors made estimates and judgements during the preparation of these consolidated financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the consolidated financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and assumptions made have been described below:

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- The Group determined that revenue from its fraud mitigation software service is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group.
- The Group has determined that it is the principal in its agreements with its customers because it has control over the service before delivering it to the customer, it is primarily responsible for fulfilling the promise to deliver the service, and it is responsible for establishing the price for the service to be delivered.
- Certain contracts with customers contain a variable consideration in relation to each block of transactions that exceeds the transaction allowance included in the fixed monthly fee. The Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. The Group has determined that the most likely amount method is appropriate.

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 at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The estimate also requires making assumptions about the most appropriate inputs to the valuation model, including the expected life of the share option, volatility and dividend yield. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 16.

Income Taxes

Judgement is required in assessing whether deferred tax assets are recognised in the consolidated statement of financial position. Deferred tax assets are recognised only when it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. Judgements are also required about the application of income tax legislation.

The Group estimates that it has \$30,325,093 (2021: \$23,200,572) of tax losses carried forward. Although these losses do not expire, they may not be capable of being used to offset taxable income elsewhere in the Group. The Group has neither taxable temporary differences nor tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets in respect of the tax losses carried forward.

Further details on taxes are disclosed in Note 6.

Impairment of non-financial assets

The Group tests for impairment of non-financial assets when impairment indicators have been identified.

Impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next two years. The assumptions used in the budget, such as growth rates, and the discount rate used are subject to judgement and estimates.

The Group has assessed the right-of-use asset recognised in accordance with AASB 16: Leases and has concluded that the right-of-use asset has not suffered any impairment.

Provision for expected credit losses of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade and other receivables and contract assets. The provision rates are based on days past due and adjusted for forward looking expectations.

(x) Going Concern

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Going Concern (continued)

During the year ended 30 June 2022, the Group incurred a net loss after tax of \$9,082,800 and a net cash outflow from operating activities of \$9,453,504. The cash and cash equivalents balance at 30 June 2022 was \$5,050,516. The Group's net current asset position at 30 June 2022 was \$3,727,075.

The ability of the Group to pay its trade creditors, continue its planned activities and maintain its going concern status is dependent on the Group generating sufficient revenues and raising additional funds, as required. As at the date of this report, the directors are satisfied that there are reasonable grounds to believe that the Group will be able to operate as a going concern by generating sufficient revenues and raising further funds as required. In forming this view, the directors of the Company have considered the ability of the Company to generate sufficient revenues and raise funds by way of a capital raising.

There are inherent uncertainties associated with the successful completion of a capital raising. Should the directors not be able to manage these inherent uncertainties and successfully secure funding, there would be significant uncertainty as to whether the Group would be able to meet its debts as and when they fall due and therefore continue as a going concern.

These consolidated financial statements do not include any adjustments relating to the recoverability or classification of recorded asset amounts nor to the amounts or classifications of liabilities that might be necessary should the Group not be able to continue as a going concern.

(y) Impact of COVID-19 pandemic

In preparing the consolidated financial statements, the Group has considered the impact of COVID-19 pandemic. During the current year, no amounts were received from the Federal Government in the form of JobKeeper and Cash Flow Booster payments. In the prior year, these receipts were recognised as other income in the consolidated statement of profit and loss and other comprehensive income and were separately disclosed in Note 5(a) to the consolidated financial statements.

The impact of COVID-19 was considered and assessed as not having a material impact in determining expected credit losses, provisions for employee entitlements and other provisions, including impairment assessments.

3. SEGMENT INFORMATION

The Group's operating segments comprise:

- **Technology:** responsible for the development and maintenance of the Group's proprietary software offerings. These activities are conducted primarily at the Group's Australian head office and at its office in Croatia; and
- **Sales and marketing:** responsible for deploying the Group's sales and marketing initiatives and for providing ongoing customer service. These activities are carried out by sales and marketing personnel and consultants located in Australia, Singapore, England, Latin America and the United States.

Costs allocated to the Corporate segment include:

- Occupancy costs and general office administration costs for the Perth head office; and
- Employment costs relating to corporate and management team located in Perth.

The board of directors review internal management reports on a monthly basis that are consistent with the information provided in the Consolidated Statement of Profit and Loss and Other Comprehensive Income, Consolidated Statement of Financial Position and Consolidated Statement of Cash Flows. As a result, no reconciliation is required because, in aggregate, the information as presented is what is used by the board to make strategic decisions. No operating segments have been aggregated.

3. SEGMENT INFORMATION (CONTINUED)

Segment results for the year ended 30 June 2022

	Technology \$	Sales and marketing \$	Corporate \$	Consolidated \$
Revenue	-	2,031,794	-	2,031,794
Other income	74,850	47,079	1,699,526	1,821,455
Overheads	(4,856,395)	(3,837,938)	(3,045,322)	(11,739,655)
Other expenses	-	-	(980,757)	(980,757)
EBITDA	(4,781,545)	(1,759,065)	(2,326,553)	(8,867,163)
Reconciliation of reportable segment loss				
EBITDA	(4,781,545)	(1,759,065)	(2,326,553)	(8,867,163)
Interest income	-	-	4,385	4,385
Interest expense	(21,156)	-	(62,489)	(83,645)
Depreciation	(85,274)	(4,825)	(51,744)	(141,843)
Income tax expense	(8,431)	13,897	-	5,466
Loss after income tax	(4,896,406)	(1,749,993)	(2,436,401)	(9,082,800)

Segment results for the year ended 30 June 2021

	Technology \$	Sales and marketing \$	Corporate \$	Consolidated \$
Revenue	-	964,110	-	964,110
Other income	1,180,494	100,000	476,514	1,757,008
Overheads	(4,925,549)	(3,065,318)	(2,597,838)	(10,588,705)
Other expenses	-	-	(939,471)	(939,471)
EBITDA	(3,745,055)	(2,001,208)	(3,060,795)	(8,807,058)
Reconciliation of reportable segment loss				
EBITDA	(3,745,055)	(2,001,208)	(3,060,795)	(8,807,058)
Interest income	-	-	10,856	10,856
Interest expense	(30,905)	-	(17,364)	(48,269)
Depreciation	(94,980)	(1,822)	(39,535)	(136,337)
Income tax expense	(4,659)	(13,496)	-	(18,155)
Loss after income tax	(3,875,599)	(2,016,526)	(3,106,838)	(8,998,963)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

3. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities at 30 June 2022

	Technology \$	Sales and marketing \$	Corporate \$	Consolidated \$
Assets	1,855,571	843,034	4,430,386	7,128,991
Liabilities	911,335	484,776	4,072,495	5,468,606

Segment assets and liabilities at 30 June 2021

	Technology \$	Sales and marketing \$	Corporate \$	Consolidated \$
Assets	1,336,126	324,352	2,656,958	4,317,436
Liabilities	1,407,811	255,258	852,164	2,515,233

Geographic information

	Consolidated	
	2022 \$	2021 \$
Revenue from external customers by customer location:		
Australia	286,575	178,515
Foreign countries (refer to note 4.1 for further details)	1,745,219	785,595
Total	2,031,794	964,110

Included in revenue from foreign countries is revenue arising from sales shown in the sales and marketing segment from one customer which amounted to \$248,764 (2021: \$252,636).

	Consolidated	
	2022 \$	2021 \$
Non-current operating assets by location		
Australia	71,259	35,721
United States	363	1,301
Asia Pacific	10,181	2,063
Other	13,932	5,829
Total	95,735	44,914

Non-current assets for this purpose consist of property, plant and equipment.

4. REVENUE FROM CONTRACTS WITH CUSTOMERS**4.1 Disaggregated revenue information**

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	Consolidated	
	2022	2021
	\$	\$
Revenue by type of goods or services		
Revenue from the sale of software as a service	2,031,794	964,110
Total revenue from contracts with customers	2,031,794	964,110
Revenue by timing of revenue recognition		
Services transferred over time	2,031,794	964,110
Total revenue from contracts with customers	2,031,794	964,110
Revenue by geographical region		
North America	169,167	127,979
Latin America	210,308	333,693
Asia Pacific	642,910	225,733
Australia	286,575	178,515
Europe	700,539	67,310
Other	22,295	30,880
Total revenue from contracts with customers	2,031,794	964,110

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

5. OTHER INCOME, OVERHEADS AND OTHER EXPENSES

This note provides a breakdown of the significant items included in 'other income', 'overheads' and 'other expenses' shown in the Consolidated Statement of Profit and Loss and Other Comprehensive Income.

	Consolidated	
	2022	2021
	\$	\$
(a) Other income		
Research and development grant ¹	-	1,180,494
Export market development grant ²	74,850	100,000
JobKeeper and Cash Flow Booster stimulus income	-	446,850
Fair value gain on convertible loan note derivative (Note 13)	914,100	-
Reversal of expected credit loss: trade debtors (Note 8)	197,626	-
Reversal of expected credit loss: deferred consideration (Note 8)	512,399	-
Foreign exchange gains	60,146	-
Miscellaneous income	62,334	29,664
	1,821,455	1,757,008
(b) Administration costs		
IT costs	383,411	406,507
Office and general administration costs	242,445	183,760
Corporate travel	63,934	17,216
	689,790	607,483
(c) Compliance costs		
Accounting fees	14,217	9,878
ASX compliance fees	131,150	152,316
Audit and tax compliance fees	219,805	146,219
Regulatory body fees	7,014	6,731
	372,186	315,144
(d) Consultancy costs		
Legal	283,943	541,719
Investor relations	76,101	54,512
Other	189,640	141,264
	549,684	737,495
(e) Employment costs		
Salaries and wages ³	6,249,912	5,163,099
Ancillary employment costs	997,402	813,735
Other	376,994	53,412
	7,624,308	6,030,246

For personal use only

5. OTHER INCOME, OVERHEADS AND OTHER EXPENSES (CONTINUED)

	Consolidated	
	2022 \$	2021 \$
(f) Marketing costs		
Advertising and marketing materials	251,965	592,814
Public relations	209,467	233,043
Travel, entertainment, trade shows and events	178,459	17,800
	639,891	843,657
(g) Expected credit losses and bad debt expense		
Trade receivables written off as a bad debt	97,813	3,596
	97,813	3,596
(h) Finance costs		
Interest expense on lease liabilities (Note 10)	41,563	48,269
Interest on convertible loan note (Note 13)	42,082	-
	83,645	48,269
(i) Depreciation		
Depreciation of property, plant and equipment	40,789	35,283
Depreciation of right-of-use asset	101,054	101,054
	141,843	136,337

- Research and development grant income is received from the Australian government in relation to qualifying research and development activities carried out within Australia. Grant income is recognised when the funds are received whilst research and development expenses are recognised when incurred. The grant income relating to FY21 research and development activities has not yet been received and has not been recognised in the current year. The grant income recognised in the prior year relates to FY20 research and development activities.
- The export market development grant income has been received from the Australian government as the Group has undertaken qualifying marketing activities outside of Australia. Grant income is recognised when the funds are received whilst marketing expenses are recognised when incurred. The grant income recognised in the current year relates to marketing activities in FY21.
- Refer to Note 23 for further detail on director and executive remuneration.

For personal use only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

6. INCOME TAX EXPENSE

	Consolidated	
	2022 \$	2021 \$
Major components of income tax expense for the year are:		
Current income tax		
Current income tax charge	8,431	18,155
Over provision of income tax liability in prior year	(13,897)	-
Deferred income tax		
Deferred income tax charge relating to origination and reversal of temporary differences	-	-
Income tax expense reported in income statement	(5,466)	18,155
Current income tax (asset) / liability	(5,466)	18,155
Over provision of income tax liability in prior year	(13,897)	-
Amount offset against income tax refund receivable (refer Note 8)	(8,431)	(4,709)
Income tax payable reported in statement of financial position	-	13,446

Reconciliation

A reconciliation of income tax expense applicable to accounting loss before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for the year is as follows:

	Consolidated	
	2022 \$	2021 \$
Accounting loss before tax	(9,088,266)	(8,980,808)
Income tax benefit at the statutory income tax rate of 25% (2021: 27.5%)	(2,272,066)	(2,469,722)
Adjusted for:		
Over provision for income tax in a prior year	(13,897)	-
Non-deductible share-based payment expenses	245,189	236,734
Other non-deductible expenses	12,098	33,895
Non-assessable grant income	-	(324,636)
Non-assessable fair value gain on convertible loan note derivative	(228,525)	-
Other non-assessable amounts	-	(20,625)
Tax losses utilised	(3,032)	-
Difference between the Australian statutory income tax rate and the statutory income tax rate applicable to foreign operations	(10,177)	(7,127)
Tax losses and temporary differences not recognised as a deferred tax asset (Australian tax: \$2,264,575 (FY21: \$2,687,986, Singapore tax: \$17,264CR (FY21: \$12,898) USA tax: \$719 (FY21: \$93,777CR) Croatia tax: \$46 (FY21: \$3,206CR) UK tax: \$8,865CR (FY21:nil))	2,264,944	2,569,636
	(5,466)	18,155

6. INCOME TAX EXPENSE (CONTINUED)

Tax Consolidation

The Company and its 100% owned Australian incorporated subsidiaries formed a tax consolidated group with effect from 1 July 2015.

Unrecognised deferred tax assets

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

	Consolidated	
	2022 \$	2021 \$
Revenue losses	30,325,093	23,200,572
Capital losses	648,665	399,612
Temporary differences	2,999,365	4,147,332
	33,973,123	27,747,516
Unrecognised deferred tax assets at 25% (2021: 27.5%)	8,493,281	7,630,567

Tax losses do not expire under current Australian legislation. Tax losses relating to foreign jurisdictions amount to \$1,405,528 (2021: \$1,414,102).

Deferred tax assets have not been recognised in respect of tax losses or temporary differences because it is not certain that future taxable profit will be available in the near term against which the Group can utilise the benefits.

Availability of Tax Losses

The availability of the Group's tax losses for future periods is uncertain and will be dependent on strict requirements being satisfied with respect to continuity of ownership and the same business test imposed by income tax legislation.

The recoupment of tax losses as at 30 June 2022 is contingent upon the following:

- entities in the Group deriving future assessable income of a nature and of an amount sufficient to enable the benefit from the losses to be realised;
- the conditions for deductibility imposed by income tax legislation continuing to be complied with; and
- there being no changes in income tax legislation which would adversely affect the entities from realising the benefit from the losses.

7. CASH AND CASH EQUIVALENTS

For the purpose of the Consolidated Statement of Financial Position and the Consolidated Statement of Cash Flows, cash and cash equivalents comprise the following at 30 June:

	Consolidated	
	2022 \$	2021 \$
Cash at bank, on hand and in electronic money accounts	5,050,516	3,231,414

The Group's cash is mainly held with a banking institution in Australia with a AA credit rating. Cash at bank earns interest at floating rates based on daily at call bank deposit and savings rates.

For personal use only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

7. CASH AND CASH EQUIVALENTS (CONTINUED)

Reconciliation from the loss after tax to the net cash flows from operations

	Consolidated	
	2022 \$	2021 \$
Net loss	(9,082,800)	(8,998,963)
<i>Adjustments for non-cash items:</i>		
Depreciation	141,843	136,337
Profit on disposal of plant and equipment	(1,062)	-
Share based payments	980,757	859,244
Fair value gain on convertible loan note derivative	(914,100)	-
Interest capitalised on convertible loan notes	42,082	-
Unrealised foreign exchange differences	(75,092)	44,705
Impairment loss	-	34,000
Expected credit loss: trade receivables	(197,627)	-
Expected credit loss: deferred consideration	(512,399)	-
<i>Changes in assets and liabilities:</i>		
Decrease / (increase) in trade receivables ¹	100,096	(14,500)
Decrease in other receivables	37,886	96,570
Increase in other receivables	(9,899)	-
Increase in prepayments	(45,819)	(29,259)
(Decrease) / increase in trade and other payables ¹	22,268	588,273
Increase in provision for employee entitlements	74,259	5,581
(Decrease) / increase in provision for income tax	(13,897)	13,445
Net cash generated by operating activities	(9,453,504)	(7,264,567)

¹ Movement is stated after adjusting for the effects of movements in foreign exchange rates from the beginning of the financial year to the end of the financial year.

8. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2022 \$	2021 \$
CURRENT		
Trade receivables (a)	409,423	480,435
Allowance for expected credit losses (b)	(58,861)	(256,487)
Net trade receivables	350,562	223,948
Deferred consideration receivable	123,283	567,869
Allowance for expected credit losses (b)	(55,470)	(567,869)
Net deferred consideration receivable	67,813	-

For personal use only

8. TRADE AND OTHER RECEIVABLES (CONTINUED)

	Consolidated	
	2022 \$	2021 \$
Income tax refund receivable	7,281	16,266
Sundry receivables	16,483	970
Deposits	40,291	37,309
GST receivables	29,531	64,601
Other receivables	93,586	119,146
	511,961	343,094

(a) Trade receivables

Trade receivables are amounts due from customers for the sale of the Group's software as a service. Trade receivables are generally due for settlement within 30–60 days and are therefore classified as current assets. The Group's accounting policies for trade receivables are outlined in Notes 2(k) and 2(s).

(b) Allowance for expected credit losses

The movement in the allowance for expected credit losses is set out below:

	Consolidated	
	2022 \$	2021 \$
Allowance for expected credit losses: trade receivables		
Balance at 1 July	256,487	279,633
Reversal of expected credit losses recognised in prior year	(256,487)	-
Allowance for expected credit losses recognised in current year	59,220	-
Impact of movement in foreign exchange rate	(359)	(23,146)
Balance at 30 June	58,861	256,487
Allowance for expected credit losses: deferred consideration		
Balance at 1 July	567,869	567,869
Reversal of expected credit losses recognised in prior year	(512,399)	-
Balance at 30 June	55,470	567,869

During the current year, the Group reached a settlement agreement with Mpire Network Inc and ClearPier Inc regarding the balances owing to the Group following the sale of Mpire Network Inc on 31 July 2018. The allowance for expected credit losses recognised in a prior year in relation to trade receivables and the deferred consideration receivable have been either fully or partially reversed as amounts have been received from ClearPier Inc. A trade receivable amount of \$97,813 owing by Mpire Network Inc was deemed irrecoverable and was written off as a bad debt in the current year.

(c) Fair values of trade and other receivables

The fair value of trade and other receivables is assumed to approximate their carrying amounts due to their relatively short-term in nature.

(d) Impairment and risk exposure

Information about the impairment of trade and other receivables, their credit quality and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note 18.

For personal use only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

9. PLANT AND EQUIPMENT

	Consolidated: 2022			
	Leasehold improvements	Computer Equipment	Office Equipment	Total
	\$	\$	\$	\$
Cost	81,467	224,841	107,830	414,138
Accumulated depreciation	(80,424)	(154,626)	(83,353)	(318,403)
Carrying amount at 30 June 2022	1,043	70,215	24,477	95,735

Reconciliation

Carrying amount at 1 July 2021	2,281	33,440	9,193	44,914
Additions	1,074	65,918	25,086	92,078
Disposals	-	-	(552)	(552)
Impact of foreign exchange	-	-	84	84
Depreciation	(2,312)	(29,143)	(9,334)	(40,789)
Carrying amount at 30 June 2022	1,043	70,215	24,477	95,735

	Consolidated: 2021			
	Leasehold improvements	Computer Equipment	Office Equipment	Total
	\$	\$	\$	\$
Cost	80,393	158,924	90,008	329,325
Accumulated depreciation	(78,112)	(125,484)	(80,815)	(284,411)
Carrying amount at 30 June 2021	2,281	33,440	9,193	44,914

Reconciliation

Carrying amount at 1 July 2020	18,360	15,654	4,090	38,104
Additions	-	33,682	9,810	43,492
Disposals	-	(1,292)	-	(1,292)
Impact of foreign exchange	-	-	(107)	(107)
Depreciation	(16,079)	(14,604)	(4,600)	(35,283)
Carrying amount at 30 June 2021	2,281	33,440	9,193	44,914

Refer to Note 2(g) for further details on the Group's accounting policies for plant and equipment.

For personal use only

10. RIGHT OF USE ASSETS AND LEASE LIABILITIES

The Group is the lessee in lease contracts for office premises and various items of office equipment. Leases of office premises generally have lease terms of between 1 and 10 years, while office equipment generally has a lease term between 1 and 2 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

In the case of leases of office premises and low value office equipment with lease terms of 12 months or less, the Group has applied the 'short-term lease' and 'lease of low-value assets' recognition exemptions under AASB 16 on leases. In the case of leases of office premises with lease terms over 12 months, the Group has recognised a right-of-use asset and an associated lease liability.

Set out below are the carrying amounts of right-of-use assets and the movements during the year:

	Consolidated	
	2022 \$	2021 \$
Office Premises		
Opening balance	505,268	606,322
Depreciation expense	(101,053)	(101,054)
Closing balance	404,215	505,268

Set out below are the carrying amounts of the lease liabilities and the movements during the year:

	Consolidated	
	2022 \$	2021 \$
Lease Liabilities		
Opening balance	572,060	648,275
Interest expense	41,563	48,269
Lease payments	(127,252)	(124,484)
Closing balance	486,371	572,060
Current lease liabilities	116,554	103,110
Non-current lease liabilities	369,817	468,950
	486,371	572,060

The following are the amounts recognised in profit or loss in relation to leased assets:

	Consolidated	
	2022 \$	2021 \$
Right-of-use-assets		
Depreciation of right-of-use-assets	101,053	101,054
Interest expense on lease liabilities associated with right-of-use-assets	41,563	48,269
Short term or low value asset leases		
<i>Included in occupancy costs</i>		
Rent expense - short-term lease	77,149	41,600
<i>Included in administration costs</i>		
Rent expense - low-value assets	750	1,500
Total amount recognised in profit or loss	220,515	192,423

For personal use only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

10. RIGHT OF USE ASSETS AND LEASE LIABILITIES (CONTINUED)

The Group had total cash outflows for leases of \$127,252 in the current year (2021: \$124,484).

The Group has a lease contract that includes extension and termination options. The extension option was exercised on 1 July 2021. Options of these nature are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercised significant judgement in electing to exercise the extension option and will exercise judgement in considering whether the termination option is likely to be exercised.

11. TRADE AND OTHER PAYABLES

	Consolidated	
	2022	2021
	\$	\$
Trade payables	430,614	849,522
Statutory liabilities	235,888	200,206
Accrued expenses	429,713	99,568
Accrued audit fee	70,600	59,600
Other payables	182,925	118,575
	1,349,740	1,327,471

Trade and other payables are non-interest bearing and are unsecured. Balances are usually settled within 30 days of recognition.

The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

12. PROVISIONS

	Consolidated	
	2022	2021
	\$	\$
CURRENT		
Employee benefits	607,672	539,696
NON-CURRENT		
Employee benefits	68,841	62,560

The current provision for employee benefits relates to the Group's liability for annual leave and long service leave. The non-current provision for employee benefits relates only to the Group's liability for long service leave.

12. PROVISIONS (CONTINUED)

Movement in the provisions for employee benefits for continuing operations is as follows:

	Consolidated			
	2022		2021	
	Annual leave	Long service leave	Annual leave	Long service leave
	\$	\$	\$	\$
Balance at 1 July	400,781	201,475	351,624	173,269
Amounts provided for during the year	400,333	40,747	420,693	28,206
Unused leave balances paid during the year	(110,331)	-	(98,720)	-
Leave taken during the year	(256,492)	-	(272,816)	-
Balance at 30 June	434,291	242,222	400,781	201,475
<i>The balance is split as follows:</i>				
Current portion	434,291	173,381	400,781	138,915
Non-current portion	-	68,841	-	62,560
	434,291	242,222	400,781	201,475

13. CONVERTIBLE LOAN NOTE

During the current year, the Group issued 3,000,000 convertible notes each with a face value of \$1 to raise \$3,000,000. The loan notes have a maturity date of 12 April 2024, at which point they will be automatically converted into fully paid ordinary shares in the Company. The Company may elect to redeem all or some of the convertible notes at any time prior to the maturity date.

The convertible notes are unsecured, carry no right to participate in any offering of securities by the Company or the right to vote any a general meeting of the Company.

The convertible notes are not transferable without prior written consent of the Company.

Interest

Interest accrues on the convertible notes at the rate of 8% per annum from the date of issue of the convertible notes up to (but excluding) the date on which the convertible notes are converted or redeemed. Interest is capitalised at the end of each calendar quarter and is to be satisfied in arrears upon the earlier of the redemption or conversion of the convertible notes.

Where the convertible notes are converted into ordinary shares, the accrued interest will be fully satisfied through the issue of conversion shares at the conversion price.

Where the convertible notes are redeemed, the Company will pay to the noteholders an additional interest payment so that the total interest received by the noteholders in respect of those convertible notes is equivalent to the amount they would have received had the relevant convertible notes been held till maturity.

Conversion

The convertible notes, together with all accrued unpaid interest, will automatically convert into fully paid ordinary shares in the Company on the maturity date. The conversion shares will be issued at a share price equal to 80% of the 90-day VWAP, unless such amount is:

- greater than \$0.17 in which case the conversion price will be \$0.17; or
- such amount is less than \$0.08 in which case the conversion price will be \$0.08.

Recognition

Given that the number of shares to be issued on maturity of the convertible notes is variable depending on the Company's share price on the maturity date of 12 April 2024, the convertible notes are treated as not having an equity component. As a result, the Company's obligation under the convertible loan note agreements has been recognised as a financial liability.

The fact that there is a maximum conversion price of \$0.17 and a minimum conversion price of \$0.08 creates an embedded derivative feature within the convertible loan notes that is required to be recognised separately. The convertible loan note derivative is initially recognised at fair value and is adjusted to reflect the carrying amount of the convertible debt at each reporting date, with subsequent changes to the fair value being recognised in the profit and loss.

For personal use only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

13. CONVERTIBLE LOAN NOTE (CONTINUED)

Set out below is the carrying amount of the convertible loan note liability and the movements during the year:

	\$
Fair value on recognition	(2,913,900)
Interest capitalised	(42,082)
Carrying amount at 30 June 2022	(2,955,982)

Set out below is the carrying amount of the convertible loan note derivative and the movements during the year:

	\$
Fair value on recognition	(86,100)
Fair value gain	914,100
Carrying amount at 30 June 2022	828,000

The following are the amounts recognised in profit or loss in relation to the convertible loan notes and the convertible loan note derivative:

	2022 \$
Other income	
Fair value gain on convertible loan note derivative	914,100
Finance costs	
Interest on convertible loan notes	42,082
Total amount recognised in profit or loss	956,182

14. CONTRIBUTED EQUITY

(a) Issued capital

	Consolidated	
	2022 \$	2021 \$
Ordinary shares, fully paid	52,169,702	43,237,080

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held and in proportion to the amount paid up on the shares held. At shareholder meetings, each ordinary share is entitled to one vote in proportion to the paid-up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands.

14. CONTRIBUTED EQUITY (CONTINUED)**(b) Movements in share capital**

	2022		2021	
	Number	\$	Number	\$
Shares on issue at 1 July	358,923,075	43,237,080	320,386,408	39,941,684
Shares issued on exercise of performance rights	6,250,000	964,885	9,250,000	930,837
Shares issued on exercise of unlisted options	-	-	2,620,000	393,000
Shares issued on exercise of listed options	35,935,430	3,593,543	-	-
Shares issued pursuant to a placement at \$0.075 per share ¹	-	-	26,666,667	2,000,000
Shares issued pursuant to a placement at \$0.10 per share ¹	30,000,000	3,000,000	-	-
Shares issued pursuant to a placement at \$0.10 per share ¹	14,000,000	1,400,000	-	-
Share issue costs ²	-	(25,806)	-	(28,441)
Shares on issue at 30 June	445,108,505	52,169,702	358,923,075	43,237,080

¹ Placements were made to sophisticated and professional investors.

² Share issue costs is made up as follows:

	Consolidated	
	2022 \$	2021 \$
Share issue costs paid during the year	(25,806)	(25,602)
Share issue costs included in trade and other payables at balance date	-	(2,839)
	(25,806)	(28,441)

(c) Capital Risk Management

The Group's objective 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 optimal capital structure to reduce the cost of capital.

No changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2022 and 30 June 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

14. CONTRIBUTED EQUITY (CONTINUED)

(c) Capital Risk Management (continued)

	Consolidated	
	2022 \$	2021 \$
Trade and other payables (Note 11)	1,349,740	1,327,471
Lease liabilities (Note 10)	486,371	572,060
Convertible loan note liability (Note 13)	2,955,982	-
	4,792,093	1,899,531
Less: cash and cash equivalents (Note 7)	(5,050,516)	(3,231,414)
Net (Debt) / Capital	(258,423)	(1,331,883)
Equity	52,169,702	43,237,080
Total Capital	52,169,702	43,237,080
Capital and net debt	51,911,279	41,905,197
Gearing ratio	(0.5%)	(3%)

15. RESERVES

	Consolidated	
	2022 \$	2021 \$
Foreign currency translation reserve	31,251	38,763
Share based payments reserve	5,110,814	5,094,942
Foreign currency translation reserve		
Balance at beginning of year	38,763	40,537
Foreign exchange differences arising on translation of foreign operations	(7,512)	(1,774)
Balance at end of year	31,251	38,763
Share based payments reserve		
Balance at beginning of year	5,094,942	5,166,535
Fair value of options issued to directors	-	289,154
Fair value of options issued as consideration for investor relations services	-	91,456
Fair value of options issued to staff	-	5,981
Fair value of Class H Performance Rights converted into ordinary shares	-	(51,206)
Fair value of Class I Performance Rights converted into ordinary shares	-	(102,413)
Fair value of Class J Performance Rights converted into ordinary shares	-	(102,413)
Fair value of Class T Performance Rights converted into ordinary shares	(192,802)	(674,805)
Fair value of Class S Performance Rights converted into ordinary shares	(772,083)	-
Fair value of Class K Performance Rights recognised	-	(110,032)
Fair value of Class L Performance Rights recognised	-	(123,786)
Fair value of Class M Performance Rights recognised	-	(44,013)
Fair value of Class N Performance Rights recognised	-	(33,009)

For personal use only

15. RESERVES (CONTINUED)

	Consolidated	
	2022 \$	2021 \$
Fair value of Class O Performance Rights recognised	-	(22,006)
Fair value of Class P Performance Rights recognised	-	(147,615)
Fair value of Class Q Performance Rights recognised	-	(147,615)
Fair value of Class R Performance Rights recognised	-	(147,615)
Fair value of Class S Performance Rights recognised	236,158	422,372
Fair value of Class T Performance Rights recognised	43,278	824,328
Fair value of Class U Performance Rights recognised	814,358	-
Employee share scheme expense	-	1,644
Performance Rights lapsed	(113,037)	-
Balance at end of year	5,110,814	5,094,942

Nature and purpose of reserves

Foreign currency reserve

The foreign currency translation reserve is used to recognise foreign currency exchange differences arising on translation of functional currency to presentation currency for foreign operations.

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of equity-settled share-based payments provided to employees, consultants and other third parties.

16. SHARE BASED PAYMENTS

The share-based payments expense recognised during the year is comprised as follows:

	2022		2021	
	Number granted	\$	Number granted	\$
Options granted as consideration for investor relations services	-	-	1,500,000	91,456
Options granted to non-executive directors	-	-	5,000,000	289,154
Vesting of options granted under employee option plan ¹	-	-	-	5,981
Lapsing of performance rights classes H – O	-	-	-	(332,846)
Lapsing of performance rights classes P – R	-	-	-	(442,845)
Vesting of performance rights (class S) ¹	-	236,158	-	481,034
Lapsing of performance rights (class S)	-	(113,037)	-	(58,662)
Performance rights granted (class T) ¹	-	-	9,000,000	824,328
Vesting of performance rights (class T) ¹	-	43,278	-	-
Performance rights granted (class U) ¹	20,500,000	814,358	-	-
Vesting of shares issued under employee share plan ¹	-	-	-	1,644
		980,757		859,244

Notes

¹ The fair value at grant date is recognised over the vesting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

16. SHARE BASED PAYMENTS (CONTINUED)

(a) Options

The movement in options during the year is set out below:

	2022		2021	
	Number	Fair value per option at grant date (cents)	Number	Fair value per option at grant date (cents)
Opening balance	65,596,109		62,246,109	
Options granted pursuant to investor relations agreement	-		1,500,000	6.1
Options granted to non-executive directors	-		5,000,000	5.78
Exercised during the year	(35,935,430)		(2,620,000)	
Expired during the year	(23,160,679)		(530,000)	
Closing balance	6,500,000		65,596,109	

No options were granted during the current year. The fair value of the options granted during the prior year was \$380,610. The weighted average remaining contractual life for the share-based payment options outstanding as at 30 June 2022 was 0.09 years (30 June 2021: 0.47 years).

The exercise price for share-based payment options outstanding as at the end of the year ranged between of \$0.15 to \$0.18 (30 June 2021: \$0.10 to \$0.20).

Holders of options do not have any voting or dividend rights in relation to the options.

(b) Performance Rights

The following table illustrates the movement in the number of performance rights on issue during the year:

	Opening balance at 1 July 2021	Granted during the year	Converted into ordinary shares during the year	Lapsed during the year	Closing balance at 30 June 2022
Class S	5,000,000	-	4,250,000	750,000	-
Class T	2,000,000	-	2,000,000	-	-
Class U	-	20,500,000	-	-	20,500,000
	7,000,000	20,500,000	6,250,000	750,000	20,500,000

The performance milestones and expiry dates attached to the Class U performance rights on issue at 30 June 2022 are set out below:

Milestones to be achieved	Date by which milestone is to be achieved	Quantum of performance rights to vest upon achievement of milestone
Achieve annualised revenue of US\$5 million from customer contracts ¹	31 March 2023	15,000,000
Achieve annualised revenue of US\$5 million from customer contracts ²	31 March 2023	2,000,000
Achieve annualised revenue over US\$7 million from customer contracts	31 March 2023	3,500,000

¹ a pro-rata number of performance rights vest in the event that annualised revenue from customer contracts at 31 March 2023 amounts to at least US\$3.5 million.

² a pro-rata number of performance rights vest in the event that annualised revenue from customer contracts at 31 March 2023 amounts to at least US\$3 million.

For personal use only

16. SHARE BASED PAYMENTS (CONTINUED)

(b) Performance Rights (continued)

The fair value of performance rights granted during the year was \$3,237,966 (2021: \$867,607) with such fair value being recognised as an expense over the vesting period. The expense recognised in the current year in relation to performance rights granted in the current year was \$814,358 (2021: \$824,328).

The performance rights were valued at grant date using the Black-Scholes model and took into account the following assumptions:

	Class U	Class U	Class U
Grant date	23 Nov 2021	2 Dec 2021	30 Nov 2021
Number granted	10,000,000	8,500,000	2,000,000
Exercise price	Nil	Nil	Nil
Expiry date	31/03/2023	31/03/2023	31/03/2023
Dividend yield	0.00%	0.00%	0.00%
Expected volatility	67.43%	67.44%	68.06%
Risk-free interest rate	0.6%	0.57%	0.53%

Holders of performance rights do not have any voting or dividend rights in relation to the performance rights.

(c) Employee Incentive Share Plan

Under the Employee Incentive Share Plan, eligible employees may be granted up to \$1,000 of fully paid ordinary shares in the Company annually for no cash consideration. The number of shares issued to participants in the scheme is calculated at \$1,000 divided by the weighted average closing price of the Company's share price based on the closing ASX market prices over the five trading days before, but not including, the issue date, rounded down to the nearest whole number.

There were no shares issued under the plan in the current year (2021: nil).

(d) Employee Incentive Option Plan

Under the Employee Incentive Option Plan, eligible employees may be granted options in the Company to recognise work undertaken by the employees and to incentivise them further. The exercise price of options issued under the plan is calculated so as to ensure that the options only have value if there is an increase in shareholder wealth over time.

During the current year, no options were granted to employees under the plan (2021: nil).

17. ACCUMULATED LOSSES

	Consolidated	
	2022	2021
	\$	\$
Accumulated losses at the beginning of financial year	(46,568,582)	(37,569,619)
Net loss for the year	(9,082,800)	(8,998,963)
Accumulated losses at the end of financial year	(55,651,382)	(46,568,582)

For personal use only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

18. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(a) Financial assets (other than cash and cash equivalents)

	Consolidated	
	2022	2021
	\$	\$
Financial assets at amortised cost		
Trade and other receivables (Note 8)	511,961	343,094
Financial asset at fair value through profit and loss		
Convertible loan note derivative (Note 13)	828,000	-
Total financial assets (other than cash and cash equivalents)	1,339,961	343,094
Total current	511,961	343,094
Total non-current	828,000	-
	1,339,961	343,094

(b) Financial liabilities

	Consolidated	
	2022	2021
	\$	\$
Financial liabilities at amortised cost		
Trade and other payables (Note 11)	430,614	849,522
Interest bearing liabilities		
Lease liabilities (Note 10)	486,371	572,060
Convertible loan note liability (Note 13)	2,955,982	-
Total financial liabilities	3,872,967	1,421,582
Total current	547,168	952,632
Total non-current	3,325,799	468,950
	3,872,967	1,421,582

(c) Financial instruments risk management objectives and policies

The Group's principal financial assets comprise trade and other receivables and cash and short-term deposits derived directly from its operations. The Group has recognised a derivative attached to the convertible loan notes issued in the current year. The fair value of the convertible loan note derivative has been assessed as \$828,000 at 30 June 2022. The Group also holds a minority 10% equity investment in an unlisted entity. The Group has assessed the fair value of this investment to be nil.

The Group's principal financial liabilities comprise trade and other payables, interest-bearing lease liabilities and an interest-bearing convertible loan note liability. The main purpose of these financial liabilities is to finance the Group's operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management team oversees the management of these risks and is responsible for ensuring that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include trade and other receivables, convertible loan note derivative, unlisted equity investments, trade and other payables, interest-bearing lease liabilities and interest-bearing convertible loan note liability.

18. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(c) Financial instruments risk management objectives and policies (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates is negligible given that the terms of the lease liability and convertible loan note that have been recognised have been agreed upfront and are in place for at least another 12 months after balance date.

Foreign currency risk

Foreign 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 Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

The only material financial instruments denominated in a foreign currency held by the Group are cash amounts denominated in United States Dollars (USD), certain trade and other receivables denominated in USD and certain trade payables denominated in USD.

A summary of the AUD equivalent of the Group's USD denominated financial instruments at the reporting date is as follows:

	Consolidated	
	2022 \$	2021 \$
Cash and cash equivalents	1,118,289	413,068
Trade and other receivables	216,339	164,018
Trade payables	(47,402)	(427,415)
Net exposure	1,287,226	149,671

The sensitivity analysis below relates to the foreign currency risk exposures in existence at the reporting date. The following table demonstrates the sensitivity to a reasonably possible change in AUD / USD exchange rates, with all other variables held constant.

	Effect on loss before tax (Higher)/Lower		Effect on pre-tax equity Higher/(Lower)	
	2022 \$	2021 \$	2022 \$	2021 \$
+11%	141,595	16,464	141,595	16,464
-11%	(141,595)	(16,464)	(141,595)	(16,464)

Translation risk

All USD denominated balance sheet accounts are converted to AUD at spot rate at year end. Group net assets are therefore sensitive to the exchange rate at year end. The following table demonstrates the sensitivity to a reasonably possible change in AUD / USD exchange rates, with all other variables held constant.

	Effect on net group assets before Australian group tax (Higher) / Lower		Effect on equity before Australian group tax Higher / (Lower)	
	2022 \$	2021 \$	2022 \$	2021 \$
+11%	127,563	141,884	127,563	141,884
-11%	(127,563)	(141,884)	127,563	(141,884)

For personal use only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

18. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(c) Financial instruments risk management objectives and policies (continued)

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily in relation to trade and other receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

i. Trade receivables and contract assets

Customer credit risk is managed by the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on the customer's financial position, past working experience with the customer (if any) and any other applicable factors. Individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and followed up accordingly. At 30 June 2022, the Group had 182 customers (2021: 176) of whom 16 owed \$322,244 and accounted for 79% of all trade receivables outstanding.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are generally based on days past due after considering any other relevant forward-looking information. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 8. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in different jurisdictions and operate in largely independent markets.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

30 June 2022	Days past due				
	Total \$	Current	30-60 days \$	61-90 days \$	> 90 days \$
Total gross carrying amount	409,423	340,407	44,043	14,797	10,176
Expected credit loss rate		11%	28%	51%	29%
Expected credit loss	(58,861)	(36,068)	(12,357)	(7,528)	(2,908)
Net carrying amount	350,562	304,339	31,686	7,269	7,268

30 June 2021	Days past due				
	Total \$	Current	30-60 days \$	61-90 days \$	> 90 days \$
Total gross carrying amount	480,435	215,401	8,547	-	256,487
Expected credit loss rate		0%	0%	0%	100%
Expected credit loss	(256,487)	-	-	-	(256,487)
Net carrying amount	223,948	215,401	8,547	-	-

The credit risk associated with the deferred consideration receivable (Note 8) is assessed in the same manner as trade receivables.

Impairment of the deferred consideration receivable is assessed regularly. Management analyse the probability of default on the obligation to determine whether any expected credit loss is to be recognised.

For personal use only

18. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)**(c) Financial instruments risk management objectives and policies (continued)****Credit risk (continued)**

At 30 June, the exposure to credit risk for trade receivables and contract assets by geographic region was as follows:

	Consolidated	
	2022	2021
	\$	\$
North America	14,646	20,921
Latin America	51,391	40,520
Asia Pacific	91,920	87,152
Europe	154,604	44,032
Australia	36,280	23,293
Middle East	1,721	8,030
	350,562	223,948

At 30 June, the exposure to credit risk for trade receivables and contract assets by type of counterparty was as follows:

	Consolidated	
	2022	2021
End-user customers	350,562	223,948

ii. Cash and cash equivalents

The Group held cash and cash equivalents of \$5,050,516 at 30 June 2022 (2021: \$3,231,414). All cash and cash equivalents are held with banks and electronic money accounts which the Group considers to be low risk.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and funding to ensure that the Group can meet its obligations when due. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group holds the majority of its financial assets (excluding cash) as trade receivables with reputable customers who have had no significant payment issues in the past and hence, does not have any material liquidity risk at the reporting date.

The Group monitors rolling forecasts of liquidity reserves on the basis of expected cash flow.

Exposure to liquidity risk

The following tables compare the carrying amounts at balance date to the remaining contractual liabilities at various maturities at balance date. The contractual amounts are gross, undiscounted, include any contractual interest payments and exclude the impact of netting arrangements:

30 June 2022	Carrying amount	Total	Contractual cash flows			
			12 months or less	1-2 years	2-5 years	5-10 years
	\$	\$	\$	\$	\$	\$
Non-derivative financial liabilities						
Trade payables	430,614	430,614	430,614	-	-	-
Lease liabilities	486,371	551,072	133,194	275,445	142,433	-
Convertible loan notes	2,955,982	3,503,762	-	3,503,762	-	-
	3,872,967	4,485,448	563,808	3,779,207	142,433	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

18. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(c) Financial instruments risk management objectives and policies (continued)

Liquidity risk (continued)

30 June 2021	Carrying amount \$	Total \$	Contractual cash flows			
			12 months or less \$	1-2 years \$	2-5 years \$	5-10 years \$
Non-derivative financial liabilities						
Trade payables	849,522	849,522	849,522	-	-	-
Lease liabilities	572,060	681,363	130,291	269,377	281,695	-
	1,421,582	1,530,885	979,813	269,377	281,695	-

Fair values

Fair values of financial assets and liabilities have been assessed as being equivalent to their carrying values.

Fair value is 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.

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximate their fair values.

The Group values derivative financial instruments using valuation techniques, such as option pricing models, which employ the use of market observable inputs such as share price, volatility, etc.

For financial instruments carried at fair value, the Group uses various methods in estimating fair value. The methods comprise:

- Level 1 – the fair value is calculated using quoted prices in an active market.
- Level 2 – the fair value is estimated using inputs other than quoted prices included in the Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The Group's 10% equity investment in an unlisted entity is carried at nil value. The fair value for this investment was determined using the Level 3 method.

19. COMMITMENTS AND CONTINGENCIES

(a) Lease Commitments – Group as lessee

Future minimum rentals payable under short-term and low-value leases are as follows:

	Consolidated	
	2022 \$	2021 \$
Within one year	4,992	3,585
After one year but not more than five years	-	-
More than five years	-	-
	4,992	3,585

(b) Property, Plant and Equipment Commitments

At balance date the Group had no contractual obligations to purchase plant and equipment (2021: nil).

19. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(c) Other Commitments

On 30 September 2020, the Group entered into an agreement with Google Australia Pty Limited in which the Company committed to a minimum spend of USD1,500,000 over 36 months on Google Cloud Platform services. If the spend on the Google Cloud Platform service is less than USD1,500,000 over the 36 month period, a "true-up" payment of the difference between accrued charges over the 36 months and the USD1,500,000 will be payable in addition to the accrued charges.

(d) Contingent Liabilities

At balance date the Group had no pending legal claims or other contingent liabilities (2021: nil).

20. GROUP STRUCTURE AND RELATED PARTY DISCLOSURES

a) Group structure

The consolidated financial statements include the financial statements of Adveritas Limited (the parent entity) and the entities listed in the following table.

	Country of incorporation	% Equity interest	
		2022	2021
Livelynk Group Pty Ltd ¹	Australia	100	100
TrafficGuard Pty Ltd ²	Australia	100	100
TrafficGuard APAC Pte Ltd ²	Singapore	100	100
TrafficGuard US Inc ²	United States	100	100
Appenture d.o.o ²	Croatia	100	100
TrafficGuard UK ^{2,3}	United Kingdom	100	100

¹ equity interest is held directly by Adveritas Limited.

² equity interest is held directly by Livelynk Group Pty Ltd.

³ TrafficGuard UK was incorporated on 19 August 2021.

b) Transactions with related parties

During the current year, Adveritas Limited continued its consultancy agreement with 13811 Advisory Pte Ltd, a company controlled by Mr Stott. The consultancy services include the provision of promotion and marketing services. Under the agreement, Mr Stott was entitled to consultancy fees of \$5,000 per month. At 30 June 2022, an amount of \$5,000 was owing to 13811 Advisory Pte Ltd (2021: \$5,000).

During the prior year, Adveritas Limited entered into an agreement with Almonte Advisory Inc, a company controlled by Mr Besnard. The consultancy services included assisting the Company with its marketing execution and supporting the Company's business and product strategy. Under the agreement, Mr Besnard was paid USD2,800 during the current year (2021: USD48,300).

c) Guarantees

None of the entities within the Group are guarantors.

21. AUDITORS' REMUNERATION

Remuneration of the Group's auditor, Ernst and Young, was as follows:

	Consolidated	
	2022	2021
	\$	\$
Audit or review of the consolidated financial report	94,414	80,654
Tax compliance services provided	115,603	56,975
	210,017	137,629

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

22. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares on issue during the year.

Diluted loss per share is calculated by dividing the loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares on issue during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the data used in the calculation of the basic and diluted loss per share:

	2022 Number	2021 Number
Weighted average number of ordinary shares used in the calculation of basic loss per share	423,496,084	346,482,216
Weighted average number of ordinary shares used in the calculation of diluted loss per share	423,496,084	346,482,216
	\$	\$
Loss attributable to ordinary equity holders of Adveritas Limited for basic and diluted loss	(9,082,800)	(8,998,963)
	Cents	Cents
Basic earnings loss per share	(2.14)	(2.60)
Diluted loss per share	(2.14)	(2.60)

Classification of securities as ordinary shares

The Company has only one category of ordinary shares included in basic loss per share.

Classification of securities as potential ordinary shares

No securities have been classified as dilutive potential ordinary shares on issue in the current year because the options and performance rights on issue are considered anti-dilutive on the basis that their inclusion in the calculation would reduce the loss per share.

The potential ordinary shares considered anti-dilutive at year end are as follows:

- Unlisted option (6,500,000 on issue at 30 June 2022);
- Performance rights (20,500,000 on issue at 30 June 2022); and
- Convertible loan notes (number of shares to be issued is dependent on the share price at maturity, 12 April 2024).

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these consolidated financial statements.

23. DIRECTORS AND EXECUTIVE DISCLOSURE

Compensation of Key Management Personnel

	Consolidated	
	2022 \$	2021 \$
Short-term employee benefits	1,782,477	1,677,247
Post-employment benefits	78,760	82,300
Other long-term benefits	11,454	11,762
Share based payments	744,599	416,982
	2,617,290	2,188,291

24. PARENT ENTITY INFORMATION

The following information relates to the legal parent entity of the Group, being Adveritas Limited. The information presented has been prepared using consistent accounting policies as presented in Note 2.

	As at 30 June 2022 \$	As at 30 June 2021 \$
Financial Position		
Assets		
Current assets	3,316,299	2,468,261
Non-current assets	833,178	2,088
Total assets	4,149,477	2,470,349
Liabilities		
Current liabilities	814,272	633,897
Non-current liabilities	2,976,810	15,907
Total liabilities	3,791,082	649,804
Net assets	358,395	1,820,545
Equity		
Contributed equity	48,937,600	40,004,978
Share based payment reserve	3,796,667	3,780,795
Accumulated losses	(52,375,872)	(41,965,228)
Total equity	358,395	1,820,545
Financial Performance		
Loss for the year	(10,410,644)	(8,930,415)
Other comprehensive income	-	-
Total comprehensive loss	(10,410,644)	(8,930,415)

25. EVENTS AFTER BALANCE SHEET DATE

No event has arisen since 30 June 2022 that would be likely to materially affect the operations of the Group, or its state of affairs which has not otherwise been disclosed in this financial report.

DIRECTORS' DECLARATION

For the year ended 30 June 2022

In the directors' opinion:

- (a) The consolidated financial statements and notes of Adveritas Limited set out on pages 25 to 65 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the Group's consolidated financial position as at 30 June 2022 and its performance for the financial year ended on that date, and
- (b) Note 2(b) confirms that the consolidated financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.
- (c) Subject to Note 2(x), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors by the chief executive officer and chief financial officer in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2022.

On behalf of the board



Mathew Ratty

Managing Director and Chief Executive Officer

Perth, Western Australia

Dated this 31st day of August 2022



EY

Building a better
working world

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Independent auditor's report to the Members of Adveritas Limited

Report on the audit of the Financial Report

Opinion

We have audited the financial report of Adveritas Limited (the Company) and its subsidiaries (collectively 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, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the consolidated 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 consolidated financial position of the Group as at 30 June 2022 and of its consolidated financial performance for the year ended on that date; 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2(x) in the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

For personal use only



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Accounting for convertible notes

Why significant	How our audit addressed the key audit matter
<p>As disclosed in Note 13 to the financial report, during the financial year, the Group issued 3,000,000 convertible notes each with a face value of \$1 to strategic, professional and sophisticated investors.</p> <p>In accordance with Australian Accounting Standards, upon initial recognition of the convertible notes the Group recognised two separate financial instruments; a convertible note liability valued at \$2,913,900 and a derivative financial liability valued at \$86,100. The convertible note liability was subsequently measured at amortised cost and the derivative financial instrument was subsequently measured at fair value.</p> <p>The remeasurement of the derivative financial instrument at 30 June 2022 resulted in a fair value gain of \$914,100 being recognised in the statement of profit or loss.</p> <p>At year end the convertible note liability and derivative financial instrument were valued at \$2,955,982 and \$828,000 (derivative asset) respectively.</p> <p>Due to the inherent complexity and judgment required to identify and value these financial instruments, we considered the Group's accounting for convertible notes to be a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> ▶ Assessed the Group's recognition, measurement, classification and treatment of the convertible notes, in accordance with the requirements of Australian Accounting Standards, which included understanding the terms and conditions within the convertible note agreements. ▶ For the derivative financial instrument component of the convertible note, we engaged our valuation specialists to determine our own point estimate based on the appropriate valuation techniques and compared the results to management's calculation. ▶ Assessed the adequacy of the presentation and disclosures in Note 13 of the financial report.

A member firm of Ernst & Young Global Limited
 Liability limited by a scheme approved under Professional Standards Legislation



2. Share-based payment expense

Why significant

As disclosed in Notes 15 and 16 to the financial report, the Group has awarded share-based payments to its employees, directors and consultants during the year, contributing to a total share-based payment expense of \$980,757 for the year ended 30 June 2022.

Due to the complex and judgmental estimates used in determining the valuation of the share-based payments, we considered the Group's calculation of the share-based payment expense to be a key audit matter.

How our audit addressed the key audit matter

Our audit procedures included:

- ▶ Involved our valuation specialists to test the Group's calculation of the fair value of share-based payments issued during the year, including the key assumptions used.
- ▶ Tested the Group's share based-payment expense calculations in accordance with the requirements of Australian Accounting Standards.
- ▶ Assessed the adequacy of the presentation and disclosures in Notes 15 and 16 of the financial report.

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 2022 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report 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, with the exception of the Remuneration Report and our related assurance opinion.

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 on the other information obtained prior to the date of this auditor's report, 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.

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation



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 Group's ability to continue as a going concern, disclosing, as applicable, matters relating 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 judgment 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.

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation



**Building a better
working world**

- ▶ 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.
- ▶ 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 to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year 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.

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

For personal use only



Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 23 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Adveritas 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.

Ernst & Young

Mark P Cunningham
Partner
Perth
31 August 2022

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

The following additional information is required by the Australian Securities Exchange. The information is current as at 7 September 2022.

CORPORATE GOVERNANCE

The Board of Adveritas Limited is committed to achieving and demonstrating the highest standards of Corporate Governance. The Board is responsible to its Shareholders for the performance of the Company and seeks to communicate extensively with Shareholders. The Board believes that sound Corporate Governance practices will assist in the creation of Shareholder wealth and provide accountability. In accordance with ASX Listing Rule 4.10.3, the Company has elected to disclose its Corporate Governance policies and its compliance with them on its website, rather than in the Annual Report. Accordingly, information about the Company's Corporate Governance practices is set out on the Company's website at www.adveritas.com.au/about-us/corporate-governance.

SECURITY HOLDING

The security holding information outlined below is current as at 7 September 2022.

1. SUBSTANTIAL SHAREHOLDERS

Substantial shareholders in the Company and the number of equity securities over which the substantial shareholder has a relevant interest as disclosed in substantial holding notices provided to the Company are listed below:

Details set out in substantial shareholder notice			
Holder name	Number of shares	Voting interest	Date of lodgement of notice
Mark McConnell and related entities	69,940,688	15.94%	29/10/2021
Registered holders of securities:			
Mera Vale No. 4 Pty Ltd	59,792,813		
Mera Vale No. 1 Pty Ltd	8,000,000		
Aventos Investments Limited	1,162,875		
B. McConnell <McBren Investment A/C>	1,335,000		
Mathew Ratty and related entities	26,460,544	6.03%	29/10/2021
Registered holders of securities:			
MC Management Group Pty Ltd <MC Master A/C>	21,530,544		
Paterson Road Investments Pty Ltd	180,000		
Mathew James Ratty <MJR Family Account>	4,750,000		

2. VOTING RIGHTS OF EACH CLASS OF EQUITY SECURITY

Ordinary fully paid shares

Each shareholder is entitled to one vote per share. In accordance with the Company's constitution, on a show of hands every number present in person or by proxy or attorney or duly authorised representative has one vote. On a poll every member present in person or by proxy or attorney or duly authorised representative has one vote for every fully paid ordinary share held.

Unlisted Options

There are no voting rights attached to unlisted options.

Performance Rights

There are no voting rights attached to performance rights.

3. RESTRICTED SECURITIES

As at 7 September 2022, 1,000,000 shares were under voluntary escrow until 10 December 2022.

4. DISTRIBUTION SCHEDULES

Shareholders

Spread of holders	Number of Shareholders	Number of Shares
Nil Holding	-	-
1 - 1,000	75	10,354
1,001 - 5,000	313	1,143,813
5,001 - 10,000	278	2,200,409
10,001 - 100,000	829	30,766,462
Over 100,000	319	410,987,468
Total on register	1,814	445,108,506

Unlisted Option Holders

Spread of holders	Number of Shareholders	Number of Shares
Nil Holding	-	-
1 - 1,000	-	-
1,001 - 5,000	-	-
5,001 - 10,000	-	-
10,001 - 100,000	-	-
Over 100,000	5	6,500,000
Total on register	5	6,500,000

As at 7 September 2022, the unlisted options on issue comprised:

- 5,000,000 unlisted options held by the Non-Executive Directors of Adveritas Limited. These options have an exercise price of \$0.15 each and expire on 3 July 2023.
- 1,500,000 unlisted options held by Ketom Pty Ltd <Bechler Family A/C> with an exercise price of \$0.18 each and expiry date of 17 November 2022.

Performance Right Holders

Spread of holders	Number of Performance Rights Holders	Number of Performance Rights
Nil Holding	-	-
1 - 1,000	-	-
1,001 - 5,000	-	-
5,001 - 10,000	-	-
10,001 - 100,000	-	-
Over 100,000	4	20,500,000
Total on register	4	20,500,000

For personal use only

5. TOP 20 SHAREHOLDERS

	Holder name	Number	% of issued capital
1	MERA VALE NO 4 PTY LTD <MERA VALE NO 4 A/C>	59,442,813	13.35
2	DAWS & SON PTY LTD	44,075,670	9.90
3	MC MANAGEMENT GROUP PTY LTD	17,447,862	3.92
4	SURF COAST CAPITAL PTY LTD <MINNIE P/F A/C>	16,250,000	3.65
5	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	14,566,143	3.27
6	ADMAN LANES PTY LTD	13,500,000	3.03
7	CAPITAL PROPERTY CORPORATION PTY LTD <CARRINGTON A/C>	12,000,000	2.70
8	CAPITAL PROPERTY CORPORATION PTY LTD <CARRINGTON A/C>	11,067,187	2.49
9	MR LUKE TAYLOR <TAYLOR FAMILY A/C>	10,700,000	2.40
10	MERA VALE NOI PTY LTD <MERA VALE NOI TRUST A/C>	8,000,000	1.80
11	DR GLENN CARLTON CROFT	6,865,881	1.54
12	BNP PARIBAS NOMS (NZ) LTD <DRP>	6,700,000	1.51
13	UNAVAL NOMINEES PTY LTD UNAVAL MANAGEMENT RETIREMENT <A/C>	6,669,000	1.50
14	MR MATHEW JAMES RATTY <MJR FAMILY A/C>	5,750,000	1.29
15	MR NICHOLAS ANTHONY O'LEARY	4,185,218	0.94
16	MC MANAGEMENT GROUP PTY LTD <THE MC MASTER A/C>	4,082,682	0.92
17	DULYNE PTY LTD <THE ATLANTIS SUPER FUND A/C>	4,000,000	0.90
17	SMITH POINT GROUP PTY LTD	4,000,000	0.90
19	CITICORP NOMINEES PTY LIMITED	3,823,870	0.86
20	UBS NOMINEES PTY LTD	3,755,671	0.84
	TOTAL	256,881,997	57.71

6. NUMBER OF SHAREHOLDERS AND MARKETABLE PARCELS

There are 1,814 holders of the 445,108,506 ordinary fully paid shares on issue. All shares are quoted on the Australian Securities Exchange (ASX). The ASX code is AVI.

There are 459 shareholders with less than a marketable parcel of \$500 based on a share price of 8 cents.

7. ON-MARKET BUY-BACK

The Company is not currently undertaking an on-market buy-back.

For personal use only

For personal use only

For personal use only



Adveritas

Adveritas Limited

Suite 10, 16 Brodie Hall Drive, Bentley WA 6102

+61 8 9473 2500

ABN: 88 156 377 141